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 2015

*For identification purposes only

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive directors:**
Mr. Zhang Zhenan *(Chairman)*
Mr. Xing Luzheng *(Vice-chairman)*
Mr. Zhang Lianqing *(Chief Executive Officer)*

**Non-executive director:**
Mr. Jiang Yi

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

## COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric

## AUTHORISED REPRESENTATIVES

Mr. Zhang Lianqing
Mr. Chan Kwong Leung, Eric

# CORPORATE INFORMATION

## 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

Room 4001-2
Singga Commercial Centre
144-151 Connaught Road West
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services 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

## STOCK CODE

Hong Kong Stock Exchange: 499

## WEBSITE

http://www.qingdaohi.com

# CHAIRMAN'S STATEMENT

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of Qingdao Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2015.

## RESULTS OF THE GROUP

During the year ended 31 March 2015, the Group recorded turnover for the year of approximately HK$7.7 million (2014: HK$9.1 million) and a profit for the year approximately HK$7.2 million (2014: HK$0.8 million). The significant increase in profit for the year was mainly attributable to the substantial increase in fair value of investment properties located in Hong Kong.

Earnings per share increased to 1.44 HK cents for the year ended 31 March 2015 (2014: 0.14 HK cents).

## DIVIDENDS

The Board of Directors (the "Board") does not recommend the payment of any final dividends for the year ended 31 March 2015 (2014: Nil). A special dividend of HK$0.14 per share, totaling HK$69,899,000, was paid on 5 September 2014.

## ANALYSIS OF MAJOR CUSTOMERS AND SUPPLIERS

The revenue from the top five customers amounted to approximately HK$2.2 million, comprising rental from leasing of properties and loan interest income and representing an increase of 16% from HK$1.9 million in 2014.

Our top five customers in 2015 presented approximately 28.7% of our total revenue as compared to approximately 20.9% in 2014. Our largest customers accounted for approximately 25.3% of our total revenue in 2015 as compared to approximately 7.2% in 2014. All our top five customers are located in Hong Kong.

During the year, the Group did not have any major suppliers. The Group's major operating costs came from staff cost and rental expenses of approximately HK$9.4 million in aggregate (2014: HK$8.7 million).

## BUSINESS REVIEW

For the financial year ended 31 March 2015, the Group was mainly engaged in the businesses of leasing of investment properties, property investments through joint ventures, sub-leasing of car parking spaces and provision of loan financing which continued to contribute to and provide stable income streams to the Group.

With strong and sustainable demand for commercial and industrial premises and the absence of a significant change in property supply in Hong Kong, certain property transaction prices climbed to new high this year. Benefited from the growth of Hong Kong property market, the Group recorded an increase in fair value of investment properties amounting to HK$14.7 million (2014: HK$5.7 million).

During the financial year ended 31 March 2015, the Group's revenue was mainly derived from the rental income from leasing of properties and carpark management. Profit of approximately HK$0.9 million and loss of approximately HK$0.3 million arose from leasing of properties and carpark management, respectively. The Group will actively diversify its business segments at the right timing in future, so as to strengthen its revenue stream for the sustainability of the Group.

## PROSPECTS

The 2015 global economic outlook is expected to be better than that for 2014, but remains challenging while China's economic growth would continue to slowdown in 2015. A decelerating Chinese economy, coming at a time of global economic uncertainty, could have significant economic implications throughout the world. A dampened Chinese economy will be a pivotal challenge to Hong Kong too.

The Group will adhere to its strategic business model and keep a close eye on market changes to strengthen its foundation. Looking forward, the Group will be dedicating its efforts to explore other business opportunities and investments and generate greater returns for our shareholders.

## APPRECIATION

I would like to take this opportunity to extend my heartfelt gratitude to our fellow Board members, management, and employees for their steadfast contribution, dedication, and hard work to the Group. On behalf of the Board, I express sincere gratitude to our customers, business partners and shareholders for their continuous support. We shall persist with best efforts in striving for optimal development for the Group and returns for our shareholders in the times to come.

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**ZHANG Zhenan**
*Chairman*

Hong Kong, 29 June 2015

# MANAGEMENT DISCUSSION AND ANALYSIS


The Group is principally engaged in leasing of investment properties, property investments, sub-leasing of car parking spaces and the provision of loan financing. The Group's turnover is primarily derived from leasing of investment properties and sub-leasing of car parking spaces located in Hong Kong.

## SEGMENT RESULTS

### Leasing of properties

During the year, the Group continued to have stable rental income from properties in Hong Kong, which accounted for 27% of the Group's total revenues. This segment revenue amounted to approximately HK$2.1 million, increased by HK$1.3 million for the year under review (2014: HK$0.8 million), mainly contributed by full year rental income from a property which acquired by the Group in September 2013. The segment result for the year recorded a profit of approximately HK$0.9 million (2014: HK$0.02 million).

### Property investments

The Group held two commercial properties in Hong Kong for appreciation of property value through its joint ventures. Share of profits of joint ventures increased to approximately HK$0.5 million (2014: HK$0.2 million), mainly contributed by Citi Charm Limited, which is 50% owned by the Group.

### Carpark management

The carpark management's turnover decreased to approximately HK$5.5 million (2014: HK$6.7 million), which represented around 71% of the Group's total revenues, due to the expiration of a lease concerning certain carpark spaces this year. This segment result for the year recorded a loss of approximately HK$0.3 million (2014: HK$0.3 million). The management has been reviewing this business model in order to improve the result.

**Loan financing**

Revenue from loan financing drop to approximately HK$0.1 million (2014: HK$1.6 million). This segment result for the year recorded a profit of approximately HK$0.02 million (2014: HK$1.2 million). The decline was mainly due to keen competition of loan financing market and stringent credit screening processes in place. The management will keep on monitoring this business segment and will act upon opportunities arising later on.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2015, the Group had total assets of approximately HK$258.3 million (2014: HK$319.7 million), whereas total liabilities amounted to approximately HK$2.4 million (2014: HK$1.9 million), resulting in a net assets position of HK$255.9 million (2014: HK$317.8 million). The gearing of the Group, measured as total liabilities to total assets, was 0.9% as at 31 March 2015 (2014: 0.6%), indicating the Group's safe liquidity position. The Group maintained a strong cash position with bank balances and cash and short term time deposit of approximately HK$132.2 million as at 31 March 2015 (2014: HK$198.0 million). It is believed that the Group has adequate cash resources to meet its normal working capital requirements and any commitments for future development.

## PLEDGE OF ASSETS

There was no pledge on the Group's assets during the year ended 31 March 2015 (2014: Nil).

## FOREIGN EXCHANGE EXPOSURE

Most of the business transactions conducted by the Group were denominated in Hong Kong dollars. The Group does not undertake any derivative financial instruments or hedging instruments.

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 March 2015, the Group did not have any material contingent liabilities or capital commitments.

## SIGNIFICANT ACQUISITION OF SUBSIDIARY

No significant acquisition of subsidiary was made during the year ended 31 March 2015.

## CAPITAL STRUCTURE

The number of issued ordinary shares of the Company as at 31 March 2015 and 2014 were 499,276,680.

## HUMAN RESOURCES AND ENVIRONMENTAL MATTERS

We aim to provide employees a stimulating and harmonious working environment. We also encourage lifelong learning and offer training to enhance their performance and provide support to their personal development. As at 31 March 2015, the Group employed a total of 9 full time employees (2014: 11). Employees and directors are remunerated based on their performance and experience, current industry practices and prevailing market conditions and in accordance with existing labour laws. In addition to basic salaries, employees and directors are rewarded with performance-related bonuses and other staff welfare benefits.

On the environmental side, the principal activities of the Group related to leasing of investment properties, property investments and provision of loan finance do not generate gas emissions or hazardous materials. However, the Group's business activities related to sub-leasing of car parking spaces do, to certain extent, involve the generation of gas emission or hazardous materials during operating process. The Group has been considering ways of constraining such gas emission including but not limited to leasing these carpark spaces to electricity driven vehicles.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## EXECUTIVE DIRECTORS

Mr. Zhang Zhenan, aged 60, was appointed as the chairman and an executive director of the Company on 10 September 2014. Mr. Zhang is also the chairman of Nomination Committee and the director of various subsidiaries of the Company. Mr. Zhang has more than 30 years of experience in administrative and corporate management.

Mr. Xing Luzheng, aged 51, was appointed as the vice-chairman and an executive director of the Company on 10 September 2014. Mr. Xing has more than 20 years of experience in financial investment and corporate management. Mr. Xing had 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. Mr. Xing is currently the chairman of Qingdao City Construction Investment (Group) Limited. He is also a director of China Qingdao Development (Holdings) Group Company Limited and China Qingdao International (Holdings) Company Limited. The Company's controlling shareholder China Qingdao International (Holdings) Company Limited is the wholly-owned subsidiary of China Qingdao Development (Holdings) Group Company Limited, which is in turn wholly-owned by Qingdao City Construction Investment (Group) Limited.

Mr. Zhang Lianqing, aged 52, was appointed as the chief executive officer and an executive director of the Company on 10 September 2014. Mr. Zhang is also the director of various subsidiaries of the Company. Mr. Zhang has more than 15 years of experience in investment, trading and corporate management.

## NON-EXECUTIVE DIRECTOR

Mr. Jiang Yi, aged 43, was appointed as a non-executive director of the Company on 27 September 2014. Mr. Jiang graduated from the Management College of Ocean University of China majoring in accountancy and holds a doctorate degree in management. Mr. Jiang is currently the chief accountant of Qingdao City Construction Investment (Group) Limited. He is also the director of China Qingdao Development (Holdings) Group Company Limited and China Qingdao International (Holdings) Company Limited.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yin Tek Shing, Paul, aged 73, was appointed as an independent non-executive director of the Company on 27 September 2014. Mr. Yin is also the member of Nomination Committee, Remuneration Committee and Audit Committee. He acted as President of The Chinese Manufacturer's Association of Hong Kong from 2008 to 2009. He is currently 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, aged 59, was appointed as an independent non-executive director of the Company on 27 September 2014. Mr. Wong is also the chairman of Remuneration Committee and a member of Nomination Committee and Audit Committee. Mr. Wong served in Qingdao Ocean Shipping Company directly 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, aged 39, was appointed as an independent non-executive director of the Company on 27 September 2014. Ms. Zhao is also a member of Nomination Committee, Remuneration Committee and 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 served 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, aged 50, was appointed as an independent non-executive director of the Company on 27 September 2014. Mr. Li is also the chairman of Audit Committee, a member of Nomination Committee and Remuneration Committee. Mr. Li holds a Master Degree in Economics. He has long been 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 Qindao College of Qingdao Technological University. Mr. Li is also a council member of Accounting Society of China, a member of China Audit Society and a member of the Chinese Institute of Certified Public Accountants.

The Board presents the annual report and the audited consolidated financial statements for the year ended 31 March 2015.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and joint ventures are set out in Notes 30 and 15 respectively to the consolidated financial statements.

## CHANGE OF COMPANY NAME

The change of English name of the Company from "HyComm Wireless Limited" to "Qingdao Holdings International Limited", and adoption of "青島控股國際有限公司" to replace "華脈無線通信有限公司" as Chinese name of the Company for identification purpose only (the "Change of Company Name") was approved by the shareholders of the Company at the special general meeting held on 17 November 2014. The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in Bermuda on 17 November 2014 and the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 27 November 2014. The stock short names of the Company for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was changed from "HYCOMM WIRELESS" to "QINGDAO HLDGS" in English and from "華脈無線通信"to "青島控股" in Chinese on 8 December 2014. The stock code of the Company remains unchanged as "499". The Board considers that the Change of Company Name will provide a new corporate image and identity, as well as the best interests of the Company and the shareholders as a whole.

Please refer to the Company's announcements dated 17 October 2014 and 3 December 2014 and the circular dated 24 October 2014 for more details.

## RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32 of this annual report.

A special dividend of HK$0.14 per share was paid during the year.

The directors do not recommend the payment of any final dividends for the year ended 31 March 2015 (2014: Nil).

## BUSINESS REVIEW

Business review of the Group for the year ended 31 March 2015 has been stated in Chairman's Statement on page 6 and Management Discussion and Analysis of this annual report.

## FIVE YEARS 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 79 of the annual report.

## RESERVES

Details of the movements in reserves of the Group and the Company during the year ended 31 March 2015 are set out in the consolidated statement of changes in equity on page 34 of this annual report and note 29 to the consolidated financial statements, respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

## INVESTMENT PROPERTIES

The investment properties of the Group were revalued as at 31 March 2015 and resulting revaluation gains amounted to approximately HK$14.7 million (2014: HK$5.7 million).

Details of movements in the investment properties of the Group are set out in note 13 to the consolidated financial statements.

## SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 21 to the consolidated financial statements.

## PRINCIPAL PROPERTIES

Particulars of the Group's principal properties are set out on page 80 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. Zhang Zhenan *(Chairman) (appointed on 10 September 2014)*
Mr. Xing Luzheng *(Vice-chairman) (appointed on 10 September 2014)*
Mr. Zhang Lianqing *(Chief Executive Officer) (appointed on 10 September 2014)*
Mr. Liu Shun Chuen *(resigned as Chairman on 10 September 2014 and resigned as executive director on 27 September 2014)*
Mr. Yeung Sau Chung *(resigned on 20 November 2014)*

**Non-executive directors:**

Mr. Jiang Yi *(appointed on 27 September 2014)*
Mr. Kong Lingbiao *(resigned on 27 September 2014)*

**Independent non-executive directors:**

Mr. Yin Tek Shing, Paul *(appointed on 27 September 2014)*
Mr. Wong Tin Kit *(appointed on 27 September 2014)*
Ms. Zhao Meiran *(appointed on 27 September 2014)*
Mr. Li Xue *(appointed on 27 September 2014)*
Mr. Wu Wang Li *(resigned on 20 November 2014)*
Mr. Ng Wai Hung *(resigned on 27 September 2014)*
Mr. Jacobsen William Keith *(resigned on 27 September 2014)*

In accordance with the bye-laws of the Company, and to comply with the Listing Rules, Mr. Zhang Zhenan, Mr. Xing Luzheng, Mr. Zhang Lianqing, Mr. Jiang Yi, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

## DIRECTORS' SERVICES CONTRACTS

Each of the three executive directors, namely Mr. Zhang Zhenan, Mr. Xing Luzheng and Mr. Zhang Lianqing, entered into service contract with the Company respectively for a period of three years with effect from 10 September 2014, and any party may terminate such contract by giving three months written notice or payment in lieu of notice.

The non-executive director, Mr. Jiang Yi, signed an appointment letter with the Company for a period of three years with effect from 27 September 2014.

Each of the four independent non-executive directors, namely Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, signed an appointment letter, respectively, with the Company for a period of three years with effect from 27 September 2014.

Saved as disclosed above, other than statutory compensation, none of the Directors who are 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 DIRECTORS' INTERESTS IN CONTRACTS

Save for the payments of remuneration to the directors which constitute exempted connected transactions, none of the other related party transactions as disclosed in the financial statements are required to be disclosed as connected transactions pursuant to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## DIRECTORS' INTERESTS IN SHARES

As at 31 March 2015, none of the directors, 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 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 Companies (the "Model Code") of the Listing Rules on the Stock Exchange.

## SHARE OPTIONS

At the annual general meeting held on 22 August 2013, the shareholders of the Company conditionally adopted the share option scheme ("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 on 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 ("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 Company's share capital 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 of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of offer 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 of the Company, 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 and as at 31 March 2015. As at the reporting date, options to subscribe for up to 49,927,668 shares of the Company, representing 10% of the Company's issued share capital (i.e. 499,276,680 shares), are available for issue under the Share Option Scheme.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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.

During the year, no share options was granted to or exercised by any directors.

Save as disclosed above, at no time during the year 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 securities of the Company or had exercised any such rights during the year.

## MANDATORY UNCONDITIONAL CASH OFFER

In July 2014, China Qingdao International (Holdings) Company Limited ("CQIH") and the Company jointed announced that CQIH entered into a share purchase agreement (the "Agreement") with sellers to purchase an aggregate of 284,500,000 shares of the Company, representing approximately 56.98% of the total issued shares of the Company as at the date of the joint announcement, i.e. 10 July 2014, for a total cash consideration of HK$428,741,500 (equivalent to HK$1.507 per share). Completion of the Agreement took place on 27 August 2014. Pursuant to Rule 26.1 of the Takeovers Code, CQIH required to make a mandatory unconditional cash offer to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by CQIH and parties acting in concert with it) at an offer price of HK$1.507 per offer share (the "Offer").

The Offer was closed on 23 September 2014.

## SUBSTANTIAL SHAREHOLDERS INTERESTS

So far as is known to the directors and chief executives of the Company, as at 31 March 2015, the following persons (other than a director or chief executives of the Company) 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.

**Interest in the shares of the Company**

*Long positions*

| **Name** | **Capacity** | **Number of shares held** (Note) | **Approximately percentage of the Company's issued share capital** |
|---|---|---|---|
| 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 issued share capital of the Company as at 31 March 2015.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2015, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 28.7% of the Group's total turnover and the amount of turnover attributable to the largest customer was approximately 25.3% of total turnover.

The Group had no purchases of trade goods during the year ended 31 March 2015 and thus there were no major product suppliers for the Group for the year ended 31 March 2015.

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 issued share capital) has any interests in any of the Group's five largest customers.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks are set out in note 23 to the consolidated financial statements.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of environmental policies and performance of the Company are set out in the Management Discussion and Analysis headed "HUMAN RESOURCES AND ENVIRONMENT MATTERS" on page 11 of this annual report.

## 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 2015.

## PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report on pages 21 to 29 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a public float of its shares throughout the year ended 31 March 2015 which exceeded the minimum requirements of the Stock Exchange.

## RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme for its employees. Particulars of the provident fund scheme are set out in note 26 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.

## AUDITORS

The financial statements for the year ended 31 March 2013 and 2014 were audited by KLC Kennic Lui & Co., Ltd. ("KLC"). KLC has resigned as auditor of the Company with effect from 10 March 2015.

Messrs. Deloitte Touche Tohmatsu ("Deloitte") has been appointed as the auditor of the Company with effect from 10 March 2015 to fill the casual vacancy following the resignation of KLC. Deloitte shall hold the office until the conclusion of the forthcoming annual general meeting of the Company pursuant to the Bye-laws of the Company.

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

Signed on behalf of the Board

**ZHANG Lianqing**
*Executive Director and Chief Executive Officer*

Hong Kong, 29 June 2015

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 put in place corporate governance practices to comply with all the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain areas of non-compliance discussed later in this report, during the year ended 31 March 2015.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of 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 2015.

## BOARD OF DIRECTORS

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

### The Directors

Currently, the Board comprises eight directors, including three executive directors, one non-executive director and four independent non-executive directors. The biographical details of the directors of the Company are set out on pages 12 to 13 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 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 of the Company are held by separate individuals to ensure a balance of power and authority. The Company regards the role of its managing director to be same as that of chief executive under the CG Code. Mr. Liu Shun Chuen is the chairman of the Company during the period from 1 April 2014 to 10 September 2014 and Mr. Yeung Sau Chung is the managing director of the Company during the period form 1 April 2014 to 20 November 2014. During the period from 10 September 2014 to 31 March 2015, Mr. Zhang Zhenan is the chairman of the Company, Mr. Xing Luzheng is the vice-chairman of the Company and Mr. Zhang Lianqing is the chief executive officer of the Company.

Throughout the year ended 31 March 2015, 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 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.

**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 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 will 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, 2015 the newly appointed directors were given an induction after their appointment so as to ensure that they have appropriate understanding of the Group's business and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Company provides regular updates on the business performance of the Group to the directors. Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Group. Every director is fully aware of his 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 2015, relevant materials including regulatory updates have been provided to the directors for their reference and study.

A summary of training received by directors according to the records provided by the directors is as follows:

| **Director** | **Training on corporate governance, regulatory development and other relevant topics** |
|---|---|
| *Executive directors* | |
| Zhang Zhenan *(appointed on 10 September 2014)* | ✓ |
| Xing Luzheng *(appointed on 10 September 2014)* | ✓ |
| Zhang Lianqing *(appointed on 10 September 2014)* | ✓ |
| Liu Shun Chuen *(resigned on 27 September 2014)* | ✓ |
| Yeung Sau Chung *(resigned on 20 November 2014)* | ✓ |
| *Non-executive directors* | |
| Jiang Yi *(appointed on 27 September 2014)* | ✓ |
| Kong Lingbiao *(resigned on 27 September 2014)* | ✓ |
| *Independent non-executive directors* | |
| Yin Tek Shing, Paul *(appointed on 27 September 2014)* | ✓ |
| Wong Tin Kit *(appointed on 27 September 2014)* | ✓ |
| Zhao Meiran *(appointed on 27 September 2014)* | ✓ |
| Li Xue *(appointed on 27 September 2014)* | ✓ |
| Wu Wang Li *(resigned on 20 November 2014)* | ✓ |
| Ng Wai Hung *(resigned on 27 September 2014)* | ✓ |
| Jacobsen William Keith *(resigned on 27 September 2014)* | ✓ |

**Board Meetings**

Directors are consulted on matters to be included in the agenda for Board meetings and have access to advice and services to ensure that Board meeting procedures and all applicable rules and regulations are followed. At least 14 days formal notice is to be given before each regular meeting is held. For special meetings, reasonable notice is given. The Company held eight Board meetings during the year ended 31 March 2015.

Mr. Kong Lingbiao, a former non-executive director of the Company, entered into an employment contract with the Company and he resigned as non-executive director of the Company on 27 September 2014.

Mr. Zhang Zhenan, Mr. Xing Luzheng and Mr. Zhang Lianqing, the executive directors of the Company, have entered into service contracts with the Company for a specified period of three years commenced from 10 September 2014.

Mr. Jiang Yi, a non-executive director of the Company, has signed an appointment letter with the Company for a specified period of three years commenced from 27 September 2014.

Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, the independent non-executive directors of the Company, has signed an appointment letter with the Company for a specified period of three years commenced from 27 September 2014.

All of the above directors are subject to retirement by rotation and eligible for re-election in accordance with the bye-laws of the Company.

**Audit Committee**

From 1 April 2014 to 27 September 2014, the Audit Committee comprised three independent non-executive directors, namely, Mr. Wu Wang Li (Chairman of the Audit Committee), Mr. Jacobsen William Keith and Mr. Ng Wai Hung, excluded Mr. Wu Wang Li, all of them resigned as directors of the Company on 27 September 2014 and ceased to be the members of the Audit Committee on 27 September 2014. On 27 September 2014, the Board appointed Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, all being independent non-executive directors, as the members of the Audit Committee. On 20 November 2014, Mr. Wu Wang Li resigned as director of the Company and ceased to be the Chairman of the Audit Committee and Mr. Li Xue was appointed as the Chairman of the Audit Committee, who has appropriate professional qualifications and experience as required by the Listing Rules. The written terms of reference for the Audit Committee were reviewed on 29 March 2012.

The Audit Committee is responsible for reviewing the Group's financial information, overseeing the Group's financial reporting systems and internal control procedures and for 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 internal control systems of the Group, including reviews of the Group's interim and annual reports.

The Audit Committee held three meetings for the year ended 31 March 2015. During the year ended 31 March 2015, the Audit Committee reviewed the final results for the year ended 31 March 2014 with the external auditors and the unaudited interim results for the six months ended 30 September 2014 before recommending them to the Board for approval.

**Remuneration Committee**

The Remuneration Committee was established on 29 March 2012. From 1 April 2014 to 27 September 2014, the Remuneration Committee comprised three independent non-executive directors, namely, Mr. Ng Wai Hung (Chairman of the Remuneration Committee), Mr. Jacobsen William Keith and Mr. Wu Wang Li, excluded Mr. Wu Wang Li, all of them resigned as directors of the Company on 27 September 2014 and ceased to be the members of the Remuneration Committee on 27 September 2014. Mr. Wu Wang Li ceased to be a member of the Remuneration Committee on 27 September 2014 and resigned as director of the Company on 20 November 2014. On 27 September 2014, the Board appointed Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, all being independent non-executive directors, as the members of the Remuneration Committee and Mr. Wong Tin Kit as the Chairman of the Remuneration Committee. The Remuneration Committee held two meetings for the year ended 31 March 2015.

The duties of the Remuneration Committee include:

(a) to make recommendations to the Board on the Company's policies and structure for all director and senior management remuneration and on the establishment of formal and transparent procedures for developing remuneration policy;

(b) to review and approve management remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, such as compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive directors;

(e) to consider salaries paid by comparable companies, time commitments and responsibilities and employment conditions within the Group;

(f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to ensure that no director or any of his associates is involved in deciding his own remuneration.

**Nomination Committee**

The Nomination Committee was established on 29 March 2012. From 1 April 2014 to 27 September 2014, the Nomination Committee comprised one executive director, namely, Mr. Liu Shun Chuen (Chairman of the Nomination Committee) and three independent non-executive directors, namely, Mr. Wu Wang Li, Mr. Ng Wai Hung and Mr. Jacobsen William Keith, excluded Mr. Wu Wang Li, all of them resigned as directors of the Company on 27 September 2014 and ceased to be the members of the Nomination Committee on 27 September 2014. Mr. Wu Wang Li ceased to be a member of the Nomination Committee on 27 September 2014 and resigned as director of the Company on 20 November 2014. On 27 September 2014, the Board appointed Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, all being independent non-executive directors, as the members of the Nomination Committee and Mr. Wong Tin Kit as the Chairman of the Nomination Committee. The Nomination Committee held two meetings for the year ended 31 March 2015.

The duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors; and

(d) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

The Nomination Committee has a policy concerning the diversity of board members (the "Policy"). Pursuant to the 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 Policy, are identified and submitted to the Board or shareholders for approval either to fill vacancies on the Board or to be appointed as additional directors.

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 committee meetings, the annual general meeting (the "AGM") held on 18 August 2014 and the special general meetings (the "SGMs") held on 18 August 2014 and 17 November 2014 respectively during the year ended 31 March 2015 are set out in the table below:

| | Number of meetings attended / Eligible to attended | | | | | |
|---|---|---|---|---|---|---|
| **Members of the Board** | **Board Meetings** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** | **AGM** | **SGMs** |
| *Executive directors* | | | | | | |
| Zhang Zhenan *(appointed on 10 September 2014)* | 6/6 | N/A | N/A | 1/1 | 0/0 | 1/1 |
| Xing Luzheng *(appointed on 10 September 2014)* | 5/6 | N/A | N/A | N/A | 0/0 | 0/1 |
| Zhang Lianqing *(appointed on 10 September 2014)* | 6/6 | N/A | N/A | N/A | 0/0 | 1/1 |
| Liu Shun Chuen *(resigned on 27 September 2014)** | 3/4 | N/A | N/A | 1/1 | 1/1 | 1/1 |
| Yeung Sau Chung *(resigned on 20 November 2014)** | 5/5 | N/A | N/A | N/A | 1/1 | 1/2 |
| *Non-executive directors* | | | | | | |
| Jiang Yi *(appointed on 27 September 2014)* | 4/5 | N/A | N/A | N/A | 0/0 | 0/1 |
| Kong Lingbiao *(resigned on 27 September 2014)** | 2/2 | N/A | N/A | N/A | 0/1 | 0/1 |
| *Independent non-executive directors* | | | | | | |
| Yin Tek Shing, Paul *(appointed on 27 September 2014)* | 4/5 | 2/2 | 1/1 | 1/1 | 0/0 | 1/1 |
| Wong Tin Kit *(appointed on 27 September 2014)* | 5/5 | 2/2 | 1/1 | 1/1 | 0/0 | 0/1 |
| Zhao Meiran *(appointed on 27 September 2014)* | 4/5 | 1/2 | 1/1 | 0/1 | 0/0 | 1/1 |
| Li Xue *(appointed on 27 September 2014)* | 3/5 | 1/2 | 1/1 | 0/1 | 0/0 | 0/1 |
| Wu Wang Li *(resigned on 20 November 2014)** | 2/3 | 1/1 | 1/1 | 1/1 | 1/1 | 1/2 |
| Ng Wai Hung *(resigned on 27 September 2014)** | 2/3 | 1/1 | 1/1 | 1/1 | 0/1 | 0/1 |
| Jacobsen William Keith *(resigned on 27 September 2014)** | 2/3 | 1/1 | 1/1 | 1/1 | 0/1 | 0/1 |

* the attendance of such directors at the relevant meetings are as the understanding of the management of the Company

## 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 executive of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

## COMPANY SECRETARY

On 27 September 2014, Ms. Liu Yee Nee resigned as the company secretary of the Company. The Company appointed Mr. Chan Kwong Leung, Eric as the company secretary of the Company since 27 September 2014 from an external secretarial services provider. The primary corporate contact person at the Company is Mr. Zhang Lianqing, an executive director of the Company. In accordance with Rule 3.29 of the Listing Rules, Mr. Chan confirmed that he has taken no less than 15 hours of the relevant professional training during the year ended 31 March 2015.

## SHAREHOLDERS' RIGHTS

To request to convene a special general meeting, shareholders holding at the date of deposit of the requisition not less than onetenth 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 requisitioners themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda. For details 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
Room 4001-2, Singga Commercial Centre
144-151 Connaught Road West, Hong Kong
Fax: (852) 3521 0652
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 2015.

## DEVIATIONS FROM THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for specific terms, subject to re-election. During the period from 1 April 2014 to 27 September 2014 (the date of resignation), Mr. Kong Lingbiao being a non-executive director, and Mr. Ng Wai Hung and Mr. Jacobsen William Keith being the independent non-executive directors, were not appointed for specific terms. During the period from 1 April 2014 to 20 November 2014 (the date of resignation), Mr. Wu Wang Li being an independent non-executive director, was not appointed for a specific term. According to the Company's bye-laws, at every annual general meeting, one-third of the directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the CG Code.

Code provision A.6.7 of the CG Code stipulates that the independent non-executive directors and other non-executive directors should attend general meetings. Mr. Kong Lingbiao, a non-executive director, and Mr. Ng Wai Hung and Mr. Jacobsen William Keith, the independent non-executive directors, were unable to attend the annual general meeting and the special general meeting of the Company both held on 18 August 2014 due to their other important engagements. Mr. Jiang Yi, a non-executive director, and Mr. Wu Wang Li, Mr. Wong Tin Kit and Mr. Li Xue, the independent non-executive directors, were unable to attend the special general meeting of the Company held on 17 November 2014 due to their other business engagements. Mr. Wu Wang Li resigned from the Board on 20 November 2014.

To ensure compliance with the CG Code in the future, the Company will arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule that all Directors (including the Chairman of the Company) can attend the general meetings.

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

For the year ended 31 March 2015, the total remuneration for audit services and non-audit services provided by the external auditor, Messrs. Deloitte Touche Tohmatsu, amounted to approximately HK$713,000. The audit fee was approved by the Board and the Audit Committee.

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 auditors regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 30 and 31 of this annual report.

## INTERNAL CONTROLS

The Board acknowledges its responsibility for ensuring sound and effective internal control systems for the Group are in place to safeguard the assets of the Company at all times. The systems of internal control also aim to help achieve the Group's business objectives by maintaining proper accounting records for the provision of reliable financial information. It is recognised that the systems provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and help to manage rather than eliminate risks of failure when business objectives are being pursued.

Reviews on the effectiveness of the internal control systems covering all material controls in the financial and operational areas including coverage of the risk management functions were conducted during the year. The Audit Committee was reported to in respect of key findings identified in respect of such reviews and, in turn, reported all material issues and recommendations, if any and as appropriate, to the Board. It also considered the adequacy of resources, qualifications and experience in the Group's accounting and financial reporting function and the training programmes and budgets involved.

The external auditors reviewed and documented the internal control systems of the Group. Certain relevant recommendations made by the external auditors have since been implemented by the Group in stages together with subsequent improvements, if any, made by the Board to further enhance internal control policies, procedures and practices.

The Board has concluded that the Group's overall systems of internal control were functioning during the year, and will continue to improve the operation of the systems in the future.

Deloitte.
德勤

**TO THE MEMBERS OF QINGDAO HOLDINGS INTERNATIONAL LIMITED**
**青島控股國際有限公司**
(FORMERLY KNOWN AS HYCOMM WIRELESS LIMITED
前稱華脈無線通信有限公司)
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Qingdao Holdings International Limited (formerly known as HyComm Wireless Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 78, which comprise the consolidated statement of financial position as at 31 March 2015 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## OTHER MATTER

The consolidated financial statements for the year ended 31 March 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 30 June 2014.

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong

29 June 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| Revenue | 5 | **7,732** | 9,122 |
| Increase in fair value of investment properties | 13 | **14,700** | 5,713 |
| Other income | 6 | **2,348** | 1,984 |
| Other gains and losses | 6 | **(1,419)** | (4,271) |
| Employee benefits expenses | | **(4,803)** | (4,032) |
| Other operating expenses | | **(11,610)** | (8,088) |
| Share of profits of joint ventures | 15 | **469** | 203 |
| Profit before taxation | 7 | **7,417** | 631 |
| Taxation | 8 | **(223)** | 134 |
| Profit for the year | | **7,194** | 765 |
| **Other comprehensive income (expense)** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Fair value (loss) gain on available-for-sale financial assets | | **(290)** | 4,622 |
| Reclassification adjustments of available-for-sale financial assets fair value reserve to profit or loss upon disposal | | **1,158** | 1,218 |
| Other comprehensive income for the year | | **868** | 5,840 |
| Total comprehensive income for the year | | **8,062** | 6,605 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **7,192** | 713 |
| Non-controlling interests | | **2** | 52 |
| | | **7,194** | 765 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | **8,060** | 6,553 |
| Non-controlling interests | | **2** | 52 |
| | | **8,062** | 6,605 |
| Earnings per share | | | |
| – Basic (HK cents) | 11 | **1.44** | 0.14 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **54** | 11 |
| Investment properties | 13 | **96,300** | 81,600 |
| Available-for-sale financial assets | 14 | **–** | 1,811 |
| Interests in joint ventures | 15 | **122** | – |
| Amounts due from joint ventures | 15 | **29,015** | 28,668 |
| | | **125,491** | 112,090 |
| **Current assets** | | | |
| Trade and other receivables | 16 | **706** | 1,719 |
| Loans receivable | 17 | **–** | 7,820 |
| Bank balances and cash | 18 | **132,153** | 198,032 |
| | | **132,859** | 207,571 |
| **Current liabilities** | | | |
| Other payables and accrued charges | 19 | **1,418** | 1,032 |
| Income tax payable | | **90** | 10 |
| | | **1,508** | 1,042 |
| **Net current assets** | | **131,351** | 206,529 |
| **Total assets less current liabilities** | | **256,842** | 318,619 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 20 | **921** | 861 |
| | | **255,921** | 317,758 |
| **Capital and reserves** | | | |
| Share capital | 21 | **49,928** | 49,928 |
| Reserves | | **205,795** | 267,634 |
| Equity attributable to owners of the Company | | **255,723** | 317,562 |
| Non-controlling interests | | **198** | 196 |
| | | **255,921** | 317,758 |

The consolidated financial statements on pages 32 to 78 were approved and authorised for issue by the Board of Directors on 29 June 2015 and are signed on its behalf by:

**ZHANG Zhenan**
*DIRECTOR*

**ZHANG Lianqing**
*DIRECTOR*

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Surplus account HK$'000 (note (i)) | Available-for-sale financial assets fair value reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| As at 1 April 2013 | 49,928 | 143,805 | 255,025 | (6,708) | (131,041) | 311,009 | 144 | 311,153 |
| Fair value gain on available-for-sale financial assets | – | – | – | 4,622 | – | 4,622 | – | 4,622 |
| Reclassification adjustments of available-for-sale financial assets fair value reserve to profit or loss upon disposal | – | – | – | 1,218 | – | 1,218 | – | 1,218 |
| Profit for the year | – | – | – | – | 713 | 713 | 52 | 765 |
| Total comprehensive income for the year | – | – | – | 5,840 | 713 | 6,553 | 52 | 6,605 |
| As at 31 March 2014 and 1 April 2014 | 49,928 | 143,805 | 255,025 | (868) | (130,328) | 317,562 | 196 | 317,758 |
| Fair value loss on available-for-sale financial assets | – | – | – | (290) | – | (290) | – | (290) |
| Reclassification adjustments of available-for-sale financial assets fair value reserve to profit or loss upon disposal | – | – | – | 1,158 | – | 1,158 | – | 1,158 |
| Profit for the year | – | – | – | – | 7,192 | 7,192 | 2 | 7,194 |
| Total comprehensive income for the year | – | – | – | 868 | 7,192 | 8,060 | 2 | 8,062 |
| Share Premium Reduction (note (ii)) | – | (143,805) | 143,805 | – | – | – | – | – |
| Special dividend declared (note (ii)) | – | – | (69,899) | – | – | (69,899) | – | (69,899) |
| As at 31 March 2015 | 49,928 | – | 328,931 | – | (123,136) | 255,723 | 198 | 255,921 |

Notes:

(i) The surplus account as at 1 April 2013 and 31 March 2014 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 the Group reorganisation in 1997.

(ii) Pursuant to a resolution passed by the shareholders at a special general meeting of the Company held on 18 August 2014, share premium of approximately HK$143,805,000 was approved to be reduced and transferred to the contributed surplus of the Company (the "Share Premium Reduction") and an amount of approximately HK$69,899,000 was approved to be distributed as a special dividend standing to the credit of the account of the Company.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

| | Note | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Profit before taxation | | **7,417** | 631 |
| Adjustments for: | | | |
| Depreciation | | **8** | 16 |
| Interest income | | **(1,555)** | (1,984) |
| Loss on disposal of available-for-sale financial assets | | **1,158** | 1,218 |
| Loss on disposal of property, plant and equipment | | **–** | 94 |
| Increase in fair value of investment properties | | **(14,700)** | (5,713) |
| Net loss on sale of investment properties | | **–** | 2,959 |
| Share of profits of joint ventures | | **(469)** | (203) |
| Operating cash flows before movements in working capital | | **(8,141)** | (2,982) |
| Decrease (increase) in trade and other receivables | | **1,296** | (652) |
| Decrease in loans receivable | | **7,820** | 11,860 |
| Increase in other payables and accrued charges | | **386** | 260 |
| Cash generated from operations | | **1,361** | 8,486 |
| Income tax paid | | **(83)** | (18) |
| NET CASH GENERATED BY OPERATING ACTIVITIES | | **1,278** | 8,468 |
| INVESTING ACTIVITIES | | | |
| Acquisition of subsidiaries | 24 | **–** | (67,869) |
| Loan advanced to a joint venture | | **–** | (11,457) |
| Purchase of property, plant and equipment | | **(51)** | (5) |
| Proceeds from disposal of investment properties | | **–** | 115,841 |
| Proceeds from disposal of available-for-sale financial assets | | **1,521** | 7,800 |
| Interest income received | | **1,272** | 1,884 |
| Repayment from joint ventures | | **–** | 1,239 |
| Dividends received from joint ventures | | **–** | 460 |
| NET CASH GENERATED BY INVESTING ACTIVITIES | | **2,742** | 47,893 |
| CASH USED IN A FINANCING ACTIVITY | | | |
| Dividend paid | | **(69,899)** | – |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | **(65,879)** | 56,361 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | **198,032** | 141,671 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash | | **132,153** | 198,032 |

## 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 Room 4001-2, Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong.

Pursuant to a joint announcement on 10 July 2014 by the Company and China Qingdao International (Holdings) Company Limited ("CQIH"), 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*, "Qingdao City Construction"), which is a state-owned enterprise and is wholly owned by Qingdao Municipal Government of the People's Republic of China ("PRC"), CQIH entered into a share purchase agreement (the "Agreement") with four substantial shareholders of the Company to purchase an aggregate of 284,500,000 shares of the Company, representing approximately 56.98% of the total issued shares of the Company as at the date of the joint announcement, for a total cash consideration of approximately HK$428,742,000. The Agreement was completed on 27 August 2014. Consequently, Qingdao City Construction has become the ultimate controlling party.

Pursuant to a resolution passed by the shareholders at a special general meeting of the Company held on 17 November 2014, the name of the Company was changed from HyComm Wireless Limited to Qingdao Holdings International Limited.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company and the particulars of its subsidiaries are set out in Note 30 to the consolidated financial statements.

* *The English name is for identification only*

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

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

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12, and HKAS 27 | Investment Entities |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosure for Non-Financial Assets |
| Amendments to HKAS 39 | Novation of Derivatives and continuation of Hedge Accounting |
| HK(IFRIC) – Int 21 | Levies |

The application of the above new and revised 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

| | |
|---|---|
| HKFRS 9 (2014) | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010 – 2012 Cycle[5] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011 – 2013 Cycle[3] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 – 2014 Cycle[4] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[4] |
| Amendments to HKAS 1 | Disclosure Initiative[4] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[4] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[4] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[3] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[4] |

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

Except for HKFRS 9 (2014) *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* as described below, the directors of the Company (the "Directors") anticipate that the application of the new and revised HKFRSs will not have material impact on the results and financial position of the Group.

**HKFRS 9 (2014) Financial Instruments**

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

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

**Key requirements of HKFRS 9 are described as follows:**

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses 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.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 (2014) in the future may result in early recognition of credit losses based on the expected losses model in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until the Group performed a detailed review.

**HKFRS 15 *Revenue from Contracts with Customers***

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have material impact on the disclosures in the Group's consolidated financial statements.

## 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 (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out 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, 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 or value in use in HKAS 36. 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 used or by selling it to another market participant that would use the asset in its highest and best use.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

**Acquisitions of assets (liabilities) through acquisition of subsidiaries**

In respect of acquisition of a subsidiary which does not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the consideration transferred in the acquisition is allocated to other individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such transaction does not give rise to goodwill.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investments in joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The result and assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of loss of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised form part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investments in joint ventures (continued)**

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

**Revenue recognition**

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.

Agency income from provision of trading services is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time 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.

**Property, plant and equipment**

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property 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 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**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 and recognised as an expense on a straight-line basis over the lease term.

*The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

## 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 on monetary items are recognised in profit or loss in the period in which they arise.

**Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

**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 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 base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and joint ventures, 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 and interests 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Taxation (continued)**

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.

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.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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 fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

*Financial assets*

The Group's financial assets are classified into financial assets at loans and receivables and available-for-sale ("AFS") financial assets. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, of which interest income is included in net gains or losses.

## 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 amounts due from joint ventures, trade and other receivables, loans receivable 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 investments or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain listed and unlisted equity securities and debt instruments in Hong Kong and overseas as AFS financial assets on initial recognition of those items.

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

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

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 asset, 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

*Financial assets (continued)*

Impairment of financial assets (continued)

For certain categories of financial assets, such as debtors and loans receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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.

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 debtors and loan 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 debtor or loan 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 fair value reserve.

*Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including other payables) are subsequently measured at amortised cost, using the effective interest method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

*Financial liabilities and equity instruments (continued)*

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.

*Derecognition*

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors 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 judgements in applying accounting policies**

The following are the critical judgements, 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.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

**Critical judgements in applying accounting policies (continued)**

*Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties 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 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 investment properties as the Group is not subject to any income taxes upon disposal of its investment properties.

**Key sources of estimation uncertainty**

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

*Fair value of investment properties*

Investment properties are carried in the consolidated statement of financial position at 31 March 2015 at their fair values of HK$96,300,000 (2014: HK$81,600,000). The fair value was based on a valuation on these properties conducted by independent firms of 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.

## 5. SEGMENT INFORMATION

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

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

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

(ii) Property investments through joint ventures: this segment mainly holds commercial properties in Hong Kong through investments in joint ventures to gain from appreciation in property values.

(iii) Carpark management: this segment mainly subleases carparks in Hong Kong to generate rental income.

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

## 5. SEGMENT INFORMATION (continued)

Information regarding these segments is reported below:

**For the year ended 31 March 2015**

| | Segment revenue HK$'000 (note) | Operating profit (loss) HK$'000 | Share of profits of joint ventures HK$'000 | Segment results HK$'000 |
|---|---|---|---|---|
| Leasing of properties | **2,102** | **879** | **–** | **879** |
| Property investments through joint ventures | **–** | **–** | **469** | **469** |
| Carpark management | **5,495** | **(319)** | **–** | **(319)** |
| Loan financing | **135** | **22** | **–** | **22** |
| Segment total | **7,732** | **582** | **469** | **1,051** |
| Unallocated | | | | **6,366** |
| Profit before taxation | | | | **7,417** |

For the year ended 31 March 2014

| | Segment revenue HK$'000 (note) | Operating profit (loss) HK$'000 | Share of profits of joint ventures HK$'000 | Segment results HK$'000 |
|---|---|---|---|---|
| Leasing of properties | 783 | 23 | – | 23 |
| Property investments through joint ventures | – | – | 203 | 203 |
| Carpark management | 6,718 | (254) | – | (254) |
| Loan financing | 1,621 | 1,221 | – | 1,221 |
| Segment total | 9,122 | 990 | 203 | 1,193 |
| Unallocated | | | | (562) |
| Profit before taxation | | | | 631 |

Note: The segment revenue includes rental income from leasing of residential, industrial and commercial properties, rental income from sub-leasing of carparks and interest from loan financing.

## 5. SEGMENT INFORMATION (continued)

### Other segment information

The other segment information are regularly reviewed by the CODM but not included in the measure of segment profit or loss.

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Increase in fair value of investment properties | **14,700** | 5,713 |

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, certain other income, certain other gains and losses, certain employee benefits expenses and certain other operating expenses. Besides, segment results are analysed before taxation whereas 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** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Leasing of properties | **96,388** | 81,696 | **1,397** | 1,239 |
| Property investments through joint ventures | **29,137** | 28,668 | **–** | – |
| Carpark management | **4** | 524 | **–** | 36 |
| Loan financing | **–** | 8,441 | **–** | 16 |
| Segment total | **125,529** | 119,329 | **1,397** | 1,291 |
| Unallocated: | | | | |
| Bank balances and cash | **132,153** | 198,032 | **–** | – |
| Others | **668** | 2,300 | **1,032** | 612 |
| Total | **258,350** | 319,661 | **2,429** | 1,903 |

## 5. SEGMENT INFORMATION (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 AFS financial assets, certain property, plant and equipment, certain other receivables of the corporate office. Bank balances and cash were allocated to operating segments in prior years. Starting from current year, bank balances and cash were not reported to CODM for the purpose of resource allocation. As a result, the comparative information have been reclassified to comfort with current year's presentation.

- all liabilities including 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 net increase in fair value of investment properties was not reported to the CODM as part of the segment results. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

**Geographical information**

As all the Group's revenue is derived from its operation in Hong Kong and all its non-current assets are located in Hong Kong, no geographical information is presented.

**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:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A – Leasing of properties | **1,956** | 652* |

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 6. OTHER INCOME, OTHER GAINS AND LOSSES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Other income | | |
| Bank interest income | **1,100** | 1,569 |
| Loan interest income from joint ventures (Note 15) | **455** | 415 |
| Agency income from provision of trading services | **793** | – |
| | **2,348** | 1,984 |
| Other losses, net | | |
| Loss on disposal of AFS financial assets | **(1,158)** | (1,218) |
| Loss on disposal of investment properties | **–** | (2,959) |
| Loss on disposal of property, plant and equipment | **–** | (94) |
| Others | **(261)** | – |
| | **(1,419)** | (4,271) |

## 7. PROFIT BEFORE TAXATION

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Auditor's remuneration | **670** | 556 |
| Depreciation of property, plant and equipment | **8** | 16 |
| Directors' emoluments (Note 9(a)) | **3,644** | 2,282 |
| Other staff costs: | | |
| Salaries and other benefits | **1,109** | 1,579 |
| Retirement benefit scheme contributions | **50** | 171 |
| Total staff costs | **4,803** | 4,032 |
| Gross rental income | **(7,597)** | (7,501) |
| Less: direct operating expenses that generated rental income during the year (included in other operating expenses) | **5,076** | 5,224 |
| | **(2,521)** | (2,277) |

## 8. TAXATION

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong Profits Tax | **163** | 47 |
| Underprovision in prior years | **–** | 11 |
| Deferred tax (Note 20) | **60** | (192) |
| | **223** | (134) |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

The tax charge (credit) 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:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Profit before taxation | **7,417** | 631 |
| Tax at the Hong Kong Profits Tax rate of 16.5% | **1,224** | 104 |
| Tax effect of share of profits of joint ventures | **(77)** | (33) |
| Tax effect of expenses not deductible for tax purpose | **515** | 1,514 |
| Tax effect of income not taxable for tax purpose | **(2,618)** | (1,154) |
| Underprovision in prior years | **–** | 11 |
| Tax effect of tax losses not recognised | **1,186** | 48 |
| Utilisation of tax losses previously not recognised | **(7)** | (673) |
| Tax effect of temporary differences not recognised | **–** | 49 |
| Income tax expense (credit) for the year | **223** | (134) |

## 9. 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 including the Chief Executive during the year were as follows:

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefits scheme contributions HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|
| **2015** | | | | |
| **Executive Directors:** | | | | |
| Mr. Zhang Zhenan (appointed on 10 September 2014) | – | – | – | – |
| Mr. Xing Luzheng (appointed on 10 September 2014) | – | – | – | – |
| Mr. Zhang Lianqing (note) (appointed on 10 September 2014) | – | 564 | 28 | 592 |
| Mr. Liu Shun Chuen (resigned on 27 September 2014) | – | 668 | 33 | 701 |
| Mr. Yeung Sau Chung (resigned on 20 November 2014) | – | 1,674 | 84 | 1,758 |
| **Non-executive Directors:** | | | | |
| Mr. Jiang Yi (appointed on 27 September 2014) | – | – | – | – |
| Mr. Kong Lingbiao (resigned on 27 September 2014) | – | 118 | 6 | 124 |
| **Independent non-executive Directors:** | | | | |
| Mr. Yin Tek Shing, Paul (appointed on 27 September 2014) | 61 | – | – | 61 |
| Mr. Wong Tin Kit (appointed on 27 September 2014) | 61 | – | – | 61 |
| Ms. Zhao Meiran (appointed on 27 September 2014) | 61 | – | – | 61 |
| Mr. Li Xue (appointed on 27 September 2014) | 61 | – | – | 61 |
| Mr. Ng Wai Hung (resigned on 27 September 2014) | 89 | – | – | 89 |
| Mr. Wu Wang Li (resigned on 20 November 2014) | 77 | – | – | 77 |
| Mr. Jacobsen William Keith (resigned on 27 September 2014) | 59 | – | – | 59 |
| | 469 | 3,024 | 151 | 3,644 |

Note: Mr. Zhang Lianqing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

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

### (a) Directors' and Chief Executive's emoluments (continued)

Details of the emoluments paid or payable to the Directors including the Chief Executive during the year were as follows:

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefits scheme contributions HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|
| 2014 | | | | |
| **Executive Directors:** | | | | |
| Mr. Liu Shun Chuen | – | 571 | 29 | 600 |
| Mr. Yeung Sau Chung | – | 962 | 48 | 1,010 |
| Mr. Kong Lingbiao (redesignated on 30 May 2013) | – | 40 | 2 | 42 |
| **Non-executive Director:** | | | | |
| Mr. Kong Lingbiao (redesignated on 30 May 2013) | – | 200 | 10 | 210 |
| **Independent non-executive Directors:** | | | | |
| Mr. Wu Wang Li | 120 | – | – | 120 |
| Mr. Ng Wai Hung | 180 | – | – | 180 |
| Mr. Jacobsen William Keith | 120 | – | – | 120 |
| | 420 | 1,773 | 89 | 2,282 |

### (b) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2014: four) were Directors whose emoluments are included in the disclosures in Note 9(a) above. The emoluments of the remaining one (2014: one) individuals was as follows:

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Salaries and other benefits | **490** | 1,079 |
| Retirement benefit scheme contributions | **24** | 54 |
| | **514** | 1,133 |

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

### (b) Highest paid individuals (continued)

His/her emoluments were within the following bands:

| | 2015 Number of employees | 2014 Number of employees |
|---|---|---|
| HK$nil to HK$1,000,000 | **1** | – |
| HK$1,000,001 to HK$1,500,000 | **–** | 1 |
| | **1** | 1 |

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.

## 10. DIVIDENDS

A special cash dividend of HK$0.14 per ordinary share (equivalent to approximately HK$69,899,000) was passed by the shareholders for distribution at a special general meeting of the Company held on 18 August 2014.

The Directors do not recommend the payment of final dividend for both years.

## 11. EARNINGS PER SHARE

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| **Earnings:** | | |
| Profit for the year attributable to owners of the Company | **7,192** | 713 |

| | 2015 | 2014 |
|---|---|---|
| **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.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Furniture, fixtures and equipment | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **COST** | | | |
| At 1 April 2013 | 123 | 20 | 143 |
| Additions | 5 | – | 5 |
| Written off | (128) | – | (128) |
| At 31 March 2014 | – | 20 | 20 |
| Additions | – | 51 | 51 |
| At 31 March 2015 | – | 71 | 71 |
| **ACCUMULATED DEPRECIATION** | | | |
| At 1 April 2013 | 22 | 5 | 27 |
| Provided for the year | 12 | 4 | 16 |
| Written off | (34) | – | (34) |
| At 31 March 2014 | – | 9 | 9 |
| Provided for the year | – | 8 | 8 |
| At 31 March 2015 | – | 17 | 17 |
| **CARRYING VALUE** | | | |
| At 31 March 2015 | – | 54 | 54 |
| At 31 March 2014 | – | 11 | 11 |

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

| | |
|---|---|
| Leasehold improvements | Over the shorter of the term of the lease, or 5 years |
| Furniture, fixtures and equipment | Over 5 years |

## 13. INVESTMENT PROPERTIES

| | Total |
|---|---|
| | HK$'000 |
| FAIR VALUE | |
| At 1 April 2013 | 126,100 |
| Disposal during the year | (118,800) |
| Acquisition of subsidiaries (Note 24) | 68,587 |
| Increase in fair value recognised in profit or loss | 5,713 |
| At 31 March 2014 | 81,600 |
| Increase in fair value recognised in profit or loss | 14,700 |
| At 31 March 2015 | 96,300 |

The investment properties shown below are located in Hong Kong.

The valuations for investment properties have been arrived on a basis of valuations carried out at the end of the reporting period by Ascent Partners Valuation Service Limited (2014: B.I. Appraisals Limited) at adopting the Direct Comparison Method.

The resulting increase in fair value of investment properties of HK$14,700,000 (2014: HK$5,713,000) has been recognised directly in profit or loss for the year ended 31 March 2015.

## 13. INVESTMENT PROPERTIES (continued)

Followings are the key inputs used in valuing the investment properties as at 31 March 2015:

| Category | Term of lease | Fair value hierarchy | Fair value at 31 March 2015 HK$'000 | Fair value at 31 March 2014 HK$'000 | Valuation techniques | Key unobservable inputs | Range or weighted average | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|---|
| Residential Property in Hong Kong | Long-term lease | Level 3 | **8,300** | 7,600 | Direct Comparison Method based on the average market observable transactions of similar properties after applying adjusting factors to reflect the conditions and locations of the subject property | Price per sq. ft. | Ranging from HK$14,000 to HK$17,000 (2014: HK$13,000 to HK$15,000) | The higher the price per sq. ft., the higher the fair values, or vice versa |
| | | | | | | Adjusting factors on location and conditions including floor and size of the property | Adjusting factors ranging from -10% to 5% (2014: -5% to 2%) | The more favourable the adjusting factor, the higher the fair values, or vice versa |
| Industrial and commercial property in Hong Kong | Medium-term lease | Level 3 | **88,000** | 74,000 | Direct Comparison Method based on the average market observable transactions of similar properties after applying adjusting factors to reflect the conditions and locations of the subject property | Price per sq. ft. | Ranging from HK$6,000 to HK$8,000 (2014: HK$4,000 to HK$5,000) | The higher the price per sq. ft., the higher the fair values, or vice versa |
| | | | | | | Adjusting factors on location and conditions including floor, age, size and view of the property | Adjusting factors ranging from -10% to 10% (2014: -5% to 2%) | The more favourable the adjusting factor, the higher the fair values, or vice versa |
| | | | **96,300** | 81,600 | | | | |

## 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Listed equity securities in Hong Kong | – | 1,811 |

The fair values of listed securities were determined based on the bid prices quoted in active markets in Hong Kong.

## 15. INTERESTS IN JOINT VENTURES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| **Interests in joint ventures** | | |
| Cost of unlisted investments in joint ventures | – | – |
| Share of post-acquisition results and other comprehensive income | 122 | – |
| | 122 | – |
| **Amounts due from joint ventures** | | |
| Shareholders Loans (as defined below) | 11,157 | 11,157 |
| Less: share of post-acquisition losses that are in excess of the costs of the investments | (342) | (689) |
| | 10,815 | 10,468 |
| Additional Loans (as defined below) | 18,200 | 18,200 |
| Interest receivable arising from Additional Loans | 306 | – |
| Total amounts due from joint ventures | 29,321 | 28,668 |
| Less: Interest receivable arising from Additional Loans (included in trade and other receivables) classified as current | (306) | – |
| | 29,015 | 28,668 |

Pursuant to an announcement by the Company on 17 December 2012, Wealth Jade Limited ("Wealth Jade"), a wholly-owned subsidiary of the Company, entered into two shareholder agreements ("JV Agreements") with an independent third party ("Third Party") to set up two joint ventures, namely Citi Charm Limited ("Citi Charm") and Riccini Investments Limited ("Riccini") (collectively the "JV Companies") for the purchase of two non-residential properties in Hong Kong (the "Properties"). Pursuant to the JV Agreements, 60% of the purchase prices of the Properties shall be funded by bank mortgage finance with the remaining 40% being funded by non-interest bearing shareholders loans (the "Shareholders Loans") on a 50-50 basis by the JV Companies. In the event that the JV Companies were unable to obtain any bank mortgage finance, Wealth Jade would provide additional finance capped at 60% of the purchase prices of the Properties at prevailing market interest rate (the "Additional Loans").

Upon signing of the JV Agreements, the Third Party granted two put options at a consideration of HK$1.00 each to Wealth Jade which are exercisable in the event that the Properties cannot be disposed of on or before 17 August 2014 (the "Put Options"). In the opinion of the Directors, by exercising the Put Options, Wealth Jade would have the rights to recover from the Third Party its original cost of the 50% equity interests in each of the JV Companies and amounts due from joint ventures. Such rights are accounted for separately as derivative financial assets, and the fair values at initial recognition and as at 31 March 2015 and 2014 were insignificant.

## 15. INVESTMENTS IN JOINT VENTURES (continued)

At 31 March 2015 and 2014, the Shareholders Loans due from the JV Companies of HK$11,157,000 were unsecured, non-interest bearing and advanced to the joint ventures based on the agreed portion as stated in the JV Agreements.

At 31 March 2015 and 2014, included in the amounts due from joint ventures was an aggregate amount of HK$18,200,000 being the Additional Loans to the JV Companies, which carries interest at a fixed rate of 2.5% per annum and was secured by the Properties and personal guarantees provided by one of the directors of the JV Companies, and an independent third party.

In the opinion of the Directors, the amounts due from joint ventures as at 31 March 2015 were not expected to be recovered within twelve months from that date and therefore classified as non-current assets.

Before offering any new loan to the JV Companies, the Group will assess the their credit quality and the usage of the loans by the JV Companies. The recoverability of the loans is reviewed throughout the year. The whole loans to the JV Companies are repayable upon disposal of the Properties, so the balances are neither past due nor impaired and have no default history. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the joint ventures continuously.

The Group's material joint ventures at the end of the reporting period include Citi Charm and Riccini. Both of the Group's joint ventures are accounted for using equity method in these consolidated financial statements. Details of the Group's material joint ventures at the end of the reporting period are as follows:

| Name of joint venture | Form of business structure | Place of incorporation/ and operation | Particulars of issued and paid up capital | Proportion of ownership interest Group's effective interest | Held by a subsidiary | Principal activity |
|---|---|---|---|---|---|---|
| Citi Charm Limited | Incorporated | Hong Kong | HK$2 | 50% | 50% | Property investment |
| Riccini Investment Limited | Incorporated | Hong Kong | HK$2 | 50% | 50% | Property investment |

During the year ended 31 March 2015, two inactive joint ventures, namely Huge King Limited and Delta Harbour Limited were deregistered from the Companies Registry.

The above table lists the joint ventures of the Group which, in the opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group.

## 15. INVESTMENTS IN JOINT VENTURES (continued)

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amount shown in the joint ventures' financial statements prepared in accordance with HKFRS.

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Citi Charm HK$'000** | **Riccini HK$'000** | **Total HK$'000** | Citi Charm HK$'000 | Riccini HK$'000 | Total HK$'000 |
| Current assets | **2,095** | **262** | **2,357** | 1,162 | 234 | 1,396 |
| Non-current assets | **35,000** | **15,500** | **50,500** | 35,000 | 15,500 | 50,500 |
| Current liabilities | **1,417** | **352** | **1,769** | 1,072 | 100 | 1,172 |
| Non-current liabilities (note) | **35,434** | **16,094** | **51,528** | 35,808 | 16,294 | 52,102 |
| Cash and cash equivalents (included in current assets) | **1,895** | **244** | **2,139** | 962 | 234 | 1,196 |
| Revenue | **1,680** | **254** | **1,934** | 1,820 | 355 | 2,175 |
| Profit (loss) and total comprehensive income (expense) for the year | **962** | **(24)** | **938** | 1,056 | (650) | 406 |

Note: The non-current liabilities represent financial liabilities excluding trade and other payables and provisions.

Reconciliation of the above summarised financial information to the carrying amount of the investments in the joint ventures recognised in the consolidated financial statements:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Citi Charm HK$'000** | **Riccini HK$'000** | **Total HK$'000** | Citi Charm HK$'000 | Riccini HK$'000 | Total HK$'000 |
| Net assets (liabilities) of the joint ventures | **244** | **(684)** | **(440)** | (718) | (660) | (1,378) |
| Proportion of the Group's ownership interests in the joint ventures | **50%** | **50%** | **50%** | 50% | 50% | 50% |
| Carrying amount of the Group's interests in the joint ventures | **122** | **(342)** | **(220)** | (359) | (330) | (689) |

## 16. TRADE AND OTHER RECEIVABLES

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **4** | 199 |
| Other receivables, deposits and prepayments | **702** | 1,520 |
| | **706** | 1,719 |

For leasing of properties and carpark management, due to the nature of businesses, the Group generally grants no credit period to these customers. The following is an aged analysis of trade debtors from carpark management, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade debtors aged: | | |
| 0 – 60 days | **4** | 199 |

The trade receivables are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances, but management considers that no impairment loss needs to be recognised in view of the historical and subsequent repayments from these customers.

No allowance for doubtful debts was recognised by the Group during both years.

At the end of the reporting period, other receivables, deposits and prepayments of HK$112,000 (2014: nil) and HK$194,000 (2014: nil) represented interest receivables from amounts due from joint ventures that were past due for 0 to 90 days and 91 to 365 days, respectively.

This aged analysis is presented based on the due date of interest payment which approximate to the revenue recognition date. In the opinion of the Directors, the credit risk of the loan interest receivables is not significant. In order to minimise the related credit risk, management of the Group has monitored the repayment ability of the borrowers continuously.

## 17. LOANS RECEIVABLE

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Secured fixed rate loans receivable – current | – | 1,820 |
| Unsecured fixed-rate loans receivable – current | – | 6,000 |
| | – | 7,820 |

The loans receivable balance as at 31 March 2014 was secured by share charge of a private company and personal guarantees.

Before granting any new loans, the Directors assessed the potential borrower's credit quality and define credit limits of the borrower. The Directors will continuously assessed the recoverability of the loans receivable. In the opinion of the Directors, the balances were neither past due nor impaired.

## 18. BANK BALANCES AND CASH

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Cash at banks and in hand | 93,403 | 6,046 |
| Time deposits in books with maturity less than three months | 38,750 | 191,986 |
| | 132,153 | 198,032 |

Bank balances carry interest at market rates which range from 0.01% to 1.61% (2014: 0.01% to 1.74%) per annum.

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| United States Dollars ("USD") | 75,650 | 40,648 |

The functional currency of the respective group entities is HK$. The Group's exposure to the currency risk of USD is limited because HK$ is pegged to USD.

## 19. OTHER PAYABLES AND ACCRUED CHARGES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Other payables | **61** | 1 |
| Accrued charges | **1,031** | 705 |
| Deposits received | **326** | 326 |
| | **1,418** | 1,032 |

## 20. DEFERRED TAXATION

The followings are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

| | Accelerated tax depreciation HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2013 | 722 | (470) | 252 |
| Acquisition of subsidiaries (Note 24) | 801 | – | 801 |
| (Credit) charge to profit or loss | (662) | 470 | (192) |
| At 31 March 2014 | 861 | – | 861 |
| Charge to profit or loss | 60 | – | 60 |
| At 31 March 2015 | 921 | – | 921 |

At 31 March 2015, the Group has unused tax losses of HK$30,421,000 (2014: HK$23,273,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely under current tax regulation in Hong Kong.

## 21. SHARE CAPITAL

| | Number of shares '000 | Amount HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.1 each | | |
| Authorised: | | |
| At 1 April 2013, 31 March 2014 and 2015 | 20,000,000 | 2,000,000 |
| Issued and fully paid: | | |
| At 1 April 2013, 31 March 2014 and 2015 | 499,277 | 49,928 |

## 22. 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 cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associates 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.

## 23. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **161,478** | 227,593 |
| AFS financial assets | **–** | 1,811 |
| | **161,478** | 229,404 |
| **Financial liabilities** | | |
| Amortised cost | **1** | 1 |

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

The Group's major financial instruments include amounts due from joint ventures, AFS financial assets, trade and other receivables, loans receivable and bank balances and cash. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk) and credit 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.

*Market risk*

**(i) *Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to the interest bearing amounts due from joint ventures and fixed-rate loans receivable as set out in Notes 15 and 17 respectively.

The Group is also exposed to cash flow interest rate risk in relation to bank balances as set out in Note 18.

No sensitivity analysis is presented since the Directors consider that the exposure of cash flow interest rate risk to the Group is limited.

**(ii) *Other price risk***

The Group is exposed to equity price risk arising from AFS financial assets as at 31 March 2014. During the year, the Group has disposed all AFS financial assets.

Sensitivity analysis

The sensitivity analysis below includes AFS financial assets that are carried at fair values and has been determined based on the exposure to equity price risks for the year ended 31 March 2014.

If the prices of the respective equity instruments had been 10% higher/lower:

- Available-for-sale financial assets fair value reserve would increase/decrease post-tax profit by approximately HK$180,000 as a result of the changes in fair value of AFS financial assets.

## 23. FINANCIAL INSTRUMENTS (continued)

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

*Market risk (continued)*

#### *(ii) Other price risk (continued)*

Credit risk

As at 31 March 2015, 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 amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for 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 reviews the recoverable amount of each individual trade and other debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due or being demanded for repayment. Impairment allowances are made for losses that have been incurred at the end of the reporting period. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits of each individual borrower when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. In this regard, the Directors consider that the credit risk in relation to loans receivable is monitored on a revolving basis and subject to a quarterly or more frequent review.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk, other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and amounts due from joint ventures as set out in Note 15 in both years, and loans receivable as set out in Note 17 as at 31 March 2014. In addition, as detailed in Note 15, the Group would have a concentration of credit risk from the Third Party if the Group exercised the Put Options. The Group assesses the credit risk by reviewing and monitoring the financial performance of the counterparties and the management considers the default risk is not significant.

## 23. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value measurement of financial instruments

*Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

The Group's AFS financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these AFS financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3 as set out in Note 3) based on the degree to which the inputs to the fair value measurements is observable.

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable input |
|---|---|---|---|---|---|
| | 31.3.2015 HK$'000 | 31.3.2014 HK$'000 | | | |
| **AFS financial assets** | | | | | |
| Listed equity securities | – | 1,811 | Level 1 | Quoted bid prices in an active market | N/A |

There was no transfer amongst Level 1, Level 2 and Level 3 in both years.

*Fair value of the Group's financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)*

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost, using the discounted cash flows analysis, recognised in the consolidated financial statements approximate their fair values.

## 24. ACQUISITION OF ASSETS (LIABILITIES) THROUGH ACQUISITION OF SUBSIDIARIES

On 25 November 2013, the Group completed its acquisition of the 100% equity interest in Electronics Tomorrow Property Holding Limited ("ETPH") from an independent third party for a cash consideration of approximately HK$68,500,000. ETPH is an investment holding company which holds the entire equity interest in Issegon Company Limited ("Issegon"), which is engaged in leasing of property for rental income. The acquisition was made as part of the Group's strategy to seek investment to broaden its income stream. On the day of signing the sales and purchase agreement, HK$6,850,000 of the purchase consideration was settled with the balance being settled on 25 November 2013. The net assets acquired in the transaction were as follows:

| | HK$'000 |
|---|---|
| Net assets acquired | |
| Bank balances and cash | 631 |
| Deposits and prepayments | 92 |
| Income tax recoverable | 30 |
| Investment properties | 68,587 |
| Accrued charges | (39) |
| Deferred tax liabilities | (801) |
| Net cash outflow arising on acquisition | 68,500 |
| Cash consideration paid | 68,500 |
| Less: Bank balances and cash acquired | (631) |
| | 67,869 |

## 25. OPERATING LEASES

**The Group as lessee**

During the current year, the Group made minimum lease payments under operating leases of HK$4,582,000 (2014: HK$4,668,000) in respect of the car parks under management.

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:

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Within one year | **1,978** | 4,536 |
| In the second to fifth year inclusive | **772** | 2,775 |
| | **2,750** | 7,311 |

Operating lease payments represent rentals payable by the Group for the car parks under management. Leases are negotiated for an average term of two to three years and monthly rentals are fixed.

## 25. OPERATING LEASES (continued)

**The Group as lessor**

Property and carpark rental income earned during the year was approximately HK$2,102,000 (2014: HK$783,000) and HK$5,495,000 (2014: HK$6,718,000) respectively.

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **2,016** | 1,956 |
| In the second to fifth year inclusive | **1,271** | 3,260 |
| | **3,287** | 5,216 |

## 26. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has joined the Mandatory Provident Fund Scheme (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 Scheme 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 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 total costs charged to the consolidated statement of profit or loss of approximately HK$201,000 (2014: HK$260,000) represents contributions paid or payable to the schemes by the Group during the year.

## 27. RELATED PARTY TRANSACTIONS AND BALANCES

**Related party transactions**

(a) *During the year, the Group entered into the following transactions with related parties:*

| Related parties | Nature of transactions | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| *Joint ventures:* | | | |
| Citi Charm | Interest income | **223** | 223 |
| Riccini | Interest income | **232** | 192 |

(b) *Compensation of key management personnel*

The remuneration of Directors during the year was as follows:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Short-term benefits | **3,493** | 2,193 |
| Post-employment benefits | **151** | 89 |
| | **3,644** | 2,282 |

**Related party balance**

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in Note 15.

## 28. 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, the 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 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, adviser of or contractor to the Group or an Affiliate.

## 28. SHARE-BASED PAYMENT TRANSACTION (continued)

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.

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 (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 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 shares.

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

## 29. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Note | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| Assets | | | |
| Interests in subsidiaries | | **173,968** | 143,073 |
| Property, plant and equipment | | **54** | 11 |
| Other receivables | | **218** | 365 |
| Bank balances and cash | | **95,865** | 193,660 |
| | | **270,105** | 337,109 |
| Liabilities | | | |
| Other payables and accrued charges | | **1,031** | 572 |
| Amounts due to subsidiaries | | **88,855** | 82,987 |
| | | **89,886** | 83,559 |
| | | **180,219** | 253,550 |
| Capital and reserves | | | |
| Share capital | | **49,928** | 49,928 |
| Reserves | (a) | **130,291** | 203,622 |
| | | **180,219** | 253,550 |

Note:

(a) Reserves

| | Share premium HK$'000 | Contributed surplus HK$'000 (note) | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| THE COMPANY | | | | |
| At 1 April 2013 | 143,805 | 555,303 | (506,704) | 192,404 |
| Total comprehensive income for the year | – | – | 11,218 | 11,218 |
| At 31 March 2014 and 1 April 2014 | 143,805 | 555,303 | (495,486) | 203,622 |
| Total comprehensive expense for the year | – | – | (3,432) | (3,432) |
| Share Premium Reduction | (143,805) | 143,805 | – | – |
| Special dividend declared (Note 10) | – | (69,899) | – | (69,899) |
| At 31 March 2015 | – | 629,209 | (498,918) | 130,291 |

## 29. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

(a) Reserves (continued)

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 the 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.

## 30. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries of 31 March 2015 and 2014 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 | | |
| | | | **2015** | 2014 | **2015** | 2014 | |
| | | | **%** | % | **%** | % | |
| 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 | **–** | – | **96** | 96 | Loan financing |
| Concord Ocean Holdings Limited | British Virgin Islands | US$1 | **100** | 100 | **–** | – | Investment holding |
| Electronics Tomorrow Property Holdings Limited | British Virgin Islands | US$100 | **–** | – | **100** | 100 | Investment holding |
| Issegon Company Limited | Hong Kong | HK$300,000 | **–** | – | **100** | 100 | Property investment and leasing of properties |
| Jumbo Light Limited | British Virgin Islands | US$1 | **100** | 100 | **–** | – | Investment holding |

## 30. PRINCIPAL SUBSIDIARIES (continued)

| 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 | | |
| | | | 2015 % | 2014 % | 2015 % | 2014 % | |
| Keen Capital Investments Limited | Hong Kong | HK$1 | **100** | 100 | **–** | – | Carpark management |
| Oasis Star Holdings Limited | British Virgin Islands | US$100 | **–** | – | **100** | 100 | Investment holding |
| Orient Glory Investments Limited | British Virgin Islands | US$100 | **–** | – | **100** | 100 | Investment holding |
| Prime Concept Development Limited | Hong Kong | HK$1 | **100** | 100 | **–** | – | Sales agency |
| Royal Asset Investments Limited | Hong Kong | HK$1 | **–** | – | **100** | 100 | Property investment and leasing of properties |
| Wealth Jade Limited | British Virgin Islands | US$100 | **–** | – | **100** | 100 | Investment holding |
| World Regal Limited | British Virgin Islands | US$1 | **100** | 100 | **–** | – | Investment holding |

All of the above subsidiaries have their principal place of operations in Hong Kong.

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

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

## 30. PRINCIPAL SUBSIDIARIES (continued)

At the end of the reporting period, the compositions of the Company's subsidiaries are as follows. All 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 2015** | 2014 |
|---|---|---|---|
| Leasing of properties | Hong Kong | **2** | 2 |
| Carpark management | Hong Kong | **1** | 1 |
| Loan financing | Hong Kong | **1** | 1 |
| Others | Hong Kong | **5** | 4 |
| | Others | **10** | 10 |
| | | **19** | 18 |

## 31. COMPARATIVE INFORMATION

Certain comparative information in respect of employee benefits expenses, other operating expenses, loans receivable and trade and other receivables have been reclassified to conform to current year's presentation in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position.

The items reclassified were as follows:

| | Previously reported 2014 HK$'000 | After reclassification 2014 HK$'000 |
|---|---|---|
| Other operating expenses | 12,120 | 4,032 |
| Employee benefits expenses | – | 8,088 |
| Trade and other receivables | 9,539 | 1,719 |
| Loans receivable | – | 7,820 |

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2011<br>HK$'000<br>(Restated) | 2012<br>HK$'000<br>(Restated) | 2013<br>HK$'000 | 2014<br>HK$'000 | **2015**<br>**HK$'000** |
| Revenue | 8,241 | 8,183 | 9,338 | 9,122 | **7,732** |
| Profit (loss) before taxation | 34,930 | 10,422 | (1,332) | 631 | **7,417** |
| Taxation | (117) | (32) | – | 134 | **(223)** |
| Profit (loss) for the year | 34,813 | 10,390 | (1,332) | 765 | **7,194** |
| Profit (loss) attributable to: | | | | | |
| Owners of the Company | 34,803 | 10,362 | (1,414) | 713 | **7,192** |
| Non-controlling interests | 10 | 28 | 82 | 52 | **2** |
| | 34,813 | 10,390 | (1,332) | 765 | **7,194** |

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | 2011<br>HK$'000<br>(Restated) | 2012<br>HK$'000<br>(Restated) | 2013<br>HK$'000 | 2014<br>HK$'000 | **2015**<br>**HK$'000** |
| Total assets | 374,705 | 316,286 | 312,138 | 319,661 | **258,350** |
| Total liabilities | (62,717) | (1,461) | (985) | (1,903) | **(2,429)** |
| | 311,988 | 314,825 | 311,153 | 317,758 | **255,921** |
| Equity attributable to: | | | | | |
| Owners of the Company | 311,954 | 314,763 | 311,009 | 317,562 | **255,723** |
| Non-controlling interests | 34 | 62 | 144 | 196 | **198** |
| | 311,988 | 314,825 | 311,153 | 317,758 | **255,921** |

# 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 | Long-term lease | 100% |
| Workshop Unit Nos. 03 to 07 on 9th Floor, Car Parking Space No. L48 on Ground Floor and Car Parking Space No. P45 on Basement Floor, Harbour Centre Tower 1, No. 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong | 16,225 | Industrial and commercial | Medium-term lease | 100% |