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 2018

*For identification purposes only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Non-executive Director:

Mr. Li Shaoran

Independent non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Mr. Jiang Yi
Mr. Chan Kwong Leung, Eric

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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 financial year ended 31 March 2018.

The Group experienced significant developments during the year. The Group has been able to tap into the property market in Qingdao, the People's Republic of China (the "PRC") and generate additional income and cash flow for the Group's continuous development.

The Group also successfully identified new investment opportunities to expand its source of revenue. During the year, a joint venture was established by the Group and its business partner to engage in the business in the research, production and sales of the digital Chinese calligraphy education equipment as well as various other digital business activities. It is expected that the implementation of the various regulatory requirements in the PRC that require calligraphy training course to be a compulsory course for primary schools will create market demand for the calligraphy related products.

Despite the challenges posed by the global uncertainties and the economic and trading relationship between the United States and the PRC is getting more dynamic with uncertainty, the Group has continued to identify and pursue rare and profitable investment opportunities to expand the Group's sources of revenue and enhance the Group's business prospect.

Looking ahead, with the support from our ultimate controlling shareholder, Qingdao City Construction Investment (Group) Limited, the Group will continue to promote the long term sustainable development of its business, with an aim to bring a stable return and maximise shareholders' value.

Last but not least, I would like to take this opportunity to thank all of our shareholders, partners and banks for their continuous support to the Group. I would also like to thank my fellow directors, the management team and our staff for their dedication and commitment in contributing to the success of the Group.

Xing Luzheng
Chairman

22 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Leasing of Properties

During the financial year ended 31 March 2018, the Group recorded rental income amounted to approximately HK$7.4 million (2017: HK$2.6 million) from properties located in Hong Kong and the PRC, which accounted for 88% of the Group's total revenue. The increase of the rental income was mainly attributable to the rental income generated from the property acquired by the Group in December 2017 (the "Property"). For details, please refer to the section headed "Acquisition of Property" below. As disclosed in the announcement of the Company dated 6 March 2018, as at 6 March 2018, the entire Property was leased out. Taking into consideration of the tenancy agreements executed in the second half of the financial year ended 31 March 2018, the Directors expect that the revenue from the lease of properties will increase in the forthcoming financial year. The Group continues to seek to optimize its investment properties portfolio in both Hong Kong and the PRC. The Directors believe that the leasing of properties will continue to bring positive return to the Group.

Production and Sale of Digital Chinese Calligraphy Education Equipment

In December 2017, the Group formed Shandong Qihua Education Technology Co., Ltd. (山東啟華教育科技有限公司) (the "Joint Venture") to engage in the production and sale of digital Chinese calligraphy education equipment and relevant learning and tutorial systems. For the year ended 31 March 2018, revenue generated from the sale of digital Chinese calligraphy education equipment amounted to HK$0.5 million (2017: nil). The Board is confident that the Group will be able to capture the business opportunities in the PRC and this new business segment will make positive contribution to the Group's financial performance in the forthcoming financial year.

Loan Financing

During the year ended 31 March 2018, the Group's loan financing segment managed to contribute a stable return and recorded a revenue of approximately HK$0.6 million (2017: nil).

The Group continues to maintain sound credit control policy when advancing loans to its customers. The Group holds the principle that prudent measures are particularly important and essential.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 March 2018, the Group recorded a revenue (including the Group's continuing and discontinued operation) of approximately HK$8.4 million (2017: HK$3.6 million). The increase was mainly attributable to the revenue from the leasing of properties in the PRC. The Group also recorded (i) revenue of approximately HK$0.6 million from the interest income from loan financing and (ii) revenue of approximately HK$0.5 million from the production and sale of digital Chinese calligraphy education equipment.

Cost of inventories sold for the year ended 31 March 2018 was approximately HK$0.2 million (2017: nil).

Other income for the year ended 31 March 2018 was approximately HK$2.1 million (2017: HK$1.0 million), representing an increase of HK$1.1 million as compared to that of last year. The increase was mainly attributable to the service fee for the transactions under the Agency and Advisory Services Agreement (as defined below).

Employee benefit expenses (including the Group's continuing and discontinued operations) for the year under review were approximately HK$1.9 million (2017: HK$2.0 million), representing a decrease of HK$0.1 million.

Other operating expenses (including the Group's continuing and discontinued operations) for the year ended 31 March 2018 were approximately HK$12.7 million (2017: HK$6.3 million), representing an increase of HK$6.4 million as compared to that of last year. The increase was mainly attributable to increase of legal and professional fees of approximately HK$4.1 million for the various transactions conducted and other advisory service fees during the financial year.

Finance costs for the year under review were approximately HK$6.9 million (2017: nil). The significant increase was mainly due to the increase of the interest payable for the unsecured loan provided by an intermediate holding company and the ultimate holding company of the Company.

Taxation for the year under review was approximately HK$2.8 million (2017: HK$0.2 million). The significant increase was mainly due to the deferred tax liability provided for the Property.

The Group recorded a profit for the year attributable to owners of the Company in the amount of approximately HK$5.8 million (2017: a profit of approximately HK$5.8 million). Earnings per share (including the Group's continuing and discontinued operations) was 1.17 HK cents for the year ended 31 March 2018 (2017: earnings per share was 1.15 HK cents). The favourable impact from the increase in revenue, other income and fair value of investment properties was partially offset by (i) the increase of legal and professional fees payable during the year under review, (ii) the interest expenses payable to an intermediate holding company and the ultimate holding company, and (iii) the increase of income tax and deferred tax.

Segmental Information

An analysis of the Group's performance for the year ended 31 March 2018 by business segment is set out in note 5 of the annual report.

Dividends

The Board does not recommend the payment of any dividends for the year ended 31 March 2018 (2017: nil).

Liquidity and Financial Resources

As at 31 March 2018, the Group had total assets of approximately HK$792.8 million (2017: HK$254.7 million), whereas total liabilities of the Group amounted to approximately HK$498.5 million (2017: HK$4.8 million). The significant increase of the total assets and the total liabilities was mainly attributable to (i) the acquisition of the Property and (ii) the loan provided by the controlling shareholder of the Company to finance the acquisition of the Property. Accordingly, the net assets of the Group as at 31 March 2018 was HK$294.2 million (2017: HK$249.9 million). The gearing ratio of the Group, being the total liabilities to total assets, was 62.9% as at 31 March 2018 (2017: 1.9%). It is believed that the Group has adequate cash resources to meet its commitments and current working capital requirements.

Capital Structure

The number of issued ordinary shares of the Company as at 31 March 2018 and 31 March 2017 remained the same at 499,276,680.

Pledge of Assets

As at 31 March 2018, the Group pledged certain of its investment properties with market value of HK$98.5 million (2017: HK$87.8 million) to a bank in Hong Kong to secure banking facility granted to the Group. As at 31 March 2018, the Group had unutilised banking facilities of HK$48.7 million (2017: HK$57.0 million).

Foreign Exchange Exposure

All of the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or Renminbi or United States dollars. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, the Group did not employ any financial instruments or other alternatives for hedging purposes.

Contingent Liabilities and Capital Commitments

As at 31 March 2018, the Group did not have any material contingent liabilities or capital commitments.

MATERIAL TRANSACTIONS

Subscription of Shares

On 29 June 2016, Prime Concept Development Limited ("Prime Concept"), a wholly-owned subsidiary of the Company, subscribed for a total of 17,873.64 class A shares ("Class A Shares") in Asian Bond Fund Segregated Portfolio (the "Portfolio") at an issue price of US$100.42 per Class A Share for an aggregate consideration of approximately US$1,795,000 (equivalent to approximately HK$14.0 million). The Portfolio is a segregated portfolio of CMBI SPC, an open-ended investment company organised as an exempted segregated portfolio company with limited liability in the Cayman Islands on 11 June 2010. The investment in the Portfolio is expected to enable the Group to hold a financial investment which can provide economic benefits including investment income to the Group. Details of the subscription of Class A Shares are set out in the announcements of the Company dated 29 June 2016 and 8 July 2016, respectively.

During the year, the Group received the investment income of an aggregate amount of HK$0.7 million (2017: HK$0.5 million) from the investment in the Portfolio.

As at 31 March 2018, the market value of the Portfolio was approximately US$1.7 million (equivalent to approximately HK$13.3 million) (2017: US$1.8 million (equivalent to approximately HK$13.7 million)). The Board will closely monitor the performance of the investment portfolio from time to time.

Agency and Advisory Services Agreement and the Supplemental Agreement

On 6 March 2017, Prime Concept, as the service provider, entered into an agency and advisory services agreement (the "Agreement") with Lian Xin International Limited ("Lian Xin"), as the recipient, in relation to the provision of agency and advisory services by Prime Concept to Lian Xin. On 2 March 2018, Prime Concept and Lian Xin entered into a supplemental agreement to amend and supplement certain terms of the Agreement (the "Supplemental Agreement"). Details of the Agreement and the Supplemental Agreement are set out in the announcements of the Company dated 6 March 2017 and 2 March 2018, respectively. Pursuant to the Agreement and Supplemental Agreement, for the year ended 31 March 2018, Prime Concept rendered the agency and advisory services and the Group recorded an income of US$0.14 million (equivalent to approximately HK$1.0 million) as a result of the services provided by the Group.

Provision of Loans

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

Details of the First Loan Agreement were set out in the announcement of the Company dated 29 August 2017.

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

Details of the Second Loan Agreement were set out in the announcement of the Company dated 10 November 2017.

Acquisition of Property

On 6 September 2017, Qingdao Qifeng Technology Service Co., Ltd.* (青島啟峰科技服務有限公司) ("Qifeng"), a company established in the People's Republic of China (the "PRC") and an indirect wholly-owned subsidiary of the Company, as the buyer, entered into the property acquisition agreement (the "Sale and Purchase Agreement") with Qingdao Wenrong Zhiye Company Limited* (青島文融置業有限公司) (the "Seller"), a limited liability company established in the PRC and an independent third party. Pursuant to the Sale and Purchase Agreement, subject to the terms and conditions, Qifeng has agreed to purchase, and the Seller has agreed to sell, part of a commercial property known as "22nd Century Plaza" at the purchase price of RMB328.6 million (equivalent to approximately HK$377.9 million), subject to adjustment, to be settled in cash (the "Acquisition"). The Property comprises (i) 13-upperground floors (floor 4 to floor 6 and floor 12 to floor 21) with total saleable gross floor area ("GFA") of approximately 16,746 square metres ("sq.m."); and (ii) 136 underground carpark units, located at No. 39 Longcheng Road (龍城路39號), Shibei District, Qingdao, the PRC. The Acquisition was completed on 1 December 2017.

As at 6 March 2018, the entire Property was leased out. As a result of the Acquisition and the execution of the lease agreements, the Directors expect that the revenue from the leasing of the Property will increase significantly in the forthcoming financial year.

Details of the Acquisition were set out in the announcements of the Company dated 6 September 2017, 6 November 2017, 1 December 2017 and 6 March 2018 and the circular of the Company dated 19 October 2017, respectively.

Formation of Joint Venture and Acquisition of Design Patents

On 2 November 2017, the Company and Mr. Lv Qingdong ("Mr. Lv"), an independent third party, entered into a joint venture agreement (the "Joint Venture Agreement") for the formation of the Joint Venture under the laws of the PRC. On 2 November 2017, Hong Kong Hanhe Education Company Limited ("HK Hanhe"), an indirect wholly-owned subsidiary of the Company, and Jinan Qingdong Digital Technology Company Limited* (濟南慶東數字技術有限公司) (the "JV Partner"), a company established in the PRC with limited liability and is directly wholly-owned by Mr. Lv, an independent third party, entered into the joint venture agreement (the "Formal Joint Venture Agreement"). The Formal Joint Venture Agreement is based on the Joint Venture Agreement and has included the material terms of the Joint Venture Agreement.

The Joint Venture is principally engaged in education equipment business. Pursuant to the Joint Venture Agreement, Mr. Lv will contribute seven software copyrights and certain utility models patents (the "Business IP") to the Joint Venture. The Joint Venture was established on 29 December 2017 and commenced operation in March 2018. For the year ended 31 March 2018, the Joint Venture contributed HK$0.5 million to the revenue of the Group.

On 2 November 2017, HK Hanhe and Ms. Li Fengxian ("Ms. Li"), an independent third party and the spouse of Mr. Lv, entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which HK Hanhe agreed to purchase, and Ms. Li agreed to sell, all such intellectual property rights in connection with two design patents (外觀設計專利) (the "Design Patents") from Ms. Li in accordance with the Acquisition Agreement at the purchase price in the sum of RMB2.3 million (equivalent to approximately HK$2.7 million). As at 31 March 2018, the acquisition of Design Patents had been completed.

Details of the formation of the Joint Venture, the deemed acquisition of the Business IP pursuant to the Joint Venture and the acquisition of the Design Patents were set out in the announcements of the Company dated 11 August 2017, 2 November 2017, 23 November 2017 and 2 January 2018, respectively.

Outlook and prospects

Looking ahead, the Group expects that the global economy will maintain the pace of recovery and the economy in the PRC will continue to grow. The Group's business performance will be affected by the fluctuation of Renminbi, fluctuation in stock market and government's measures on property market. The Group is confident in the prospect of the calligraphy related products. The Joint Venture has been actively participating in exhibitions since its establishment, including the 74th China Educational Equipment Exhibition (第74屆中國教育裝備展示會) held in May 2018, to build brand awareness, to provide product experience and to attract potential consumers. The sales team network has also increased its efforts in promoting our products in different major provinces in the PRC.

Despite the global uncertainties and the economic and trading relationship between the United States and the PRC are getting more dynamic with uncertainty, the Group will continue to identify and pursue profitable investment opportunities to expand its sources of revenue and enhance its business prospects. The Company is committed to maximising shareholders' wealth. The Group will continue to look for investment opportunities with a focus on profitable projects, which is in line with the Group's investment strategies.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xing Luzheng ("Mr. Xing"), aged 54, was appointed as the vice-chairman and an executive Director on 10 September 2014. On 26 November 2015, he was appointed as the chairman of the Board and the chairman of the nomination committee (the "Nomination Committee") and resigned as the vice-chairman of the Board. Mr. Xing has more than 22 years of experience in financial investment and corporate management. Mr. Xing has previously served as the president of Shibei sub-branch of the Qingdao branch of China Everbright Bank, deputy general manager and chief accountant of Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. He is currently the chairman of Qingdao City Construction Investment (Group) Limited ("QCCIG"). He is also a director of China Qingdao Development (Holdings) Group Company Limited ("CQDHG") and China Qingdao International (Holdings) Company Limited ("CQIH"). The Company's controlling shareholder, CQIH, is the wholly-owned subsidiary of CQDHG, which is in turn wholly-owned by QCCIG.

Mr. Chen Mingdong ("Mr. Chen"), aged 49, was appointed as the vice-chairman and an executive Director on 26 November 2015. Mr. Chen is a non-practising member of the Chinese Institute of Certified Public Accountants. He is currently a director and the general manager of QCCIG. Mr. Chen was the deputy commissioner of the Finance Bureau of Qingdao. He has over 20 years' experience in government investment and finance and corporate management.

Mr. Jiang Yi ("Mr. Jiang"), aged 46, was appointed as a non-executive Director on 27 September 2014. Mr. Jiang was re-designated from non-executive Director to executive Director on 26 November 2015. He was appointed as the chief executive officer on 14 December 2015. He is also a director of a number of subsidiaries of the Company. Mr. Jiang graduated from the Management College of Ocean University of China majoring in accountancy and holds a doctorate degree in management. He is currently the chief accountant of QCCIG. He is currently a director of CQDHG and CQIH.

Mr. Wang Yimei ("Mr. Wang"), aged 39, was appointed as an executive Director on 26 November 2015. He is also a director of a number of subsidiaries of the Company. Mr. Wang graduated from the Ocean University of China specialising in business administration and was awarded a master's degree. He has been working in the fields of administrative management, securities and investment and has accumulated substantial practical experience.

Mr. Yuan Zhi ("Mr. Yuan"), aged 41, was appointed as an executive Director on 26 November 2015. He is also a director of a number of subsidiaries of the Company. Mr. Yuan is currently a vice general manager of QCCIG (Hong Kong Area). He is also a director of CQDHG and CQIH. CQIH, the Company's controlling shareholder, is a wholly-owned subsidiary of CQDHG. CQDHG is wholly-owned by QCCIG. Mr. Yuan graduated from the College of Economics of Ocean University of China specialising in national economics and was awarded a master's degree in economics. He has over 10 years' experience in investment in the securities market.

NON-EXECUTIVE DIRECTOR

Mr. Li Shaoran, aged 33, was appointed as a non-executive director on 22 June 2018. Mr. Li Shaoran holds a master of science degree in finance from the University of Manchester. Mr. Li Shaoran has experience in the investment and securities industry and administrative management. He joined QCCIG in 2014 and is now working for the Hong Kong business ventures of QCCIG.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yin Tek Shing, Paul ("Mr. Yin"), aged 76, was appointed as an independent non-executive Director on 27 September 2014. Mr. Yin is also a member of the Nomination Committee, the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") of the Company. He acted as President of The Chinese Manufacturer's Association of Hong Kong from 2008 to 2009. He is currently the permanent honorary president of The Chinese Manufacturer's Association of Hong Kong, founding chairman of Hong Kong Brand Development Council, a member of the People's Political Consultative Standing Committee of Qingdao City and founding president of Hong Kong Qingdao Association Limited. Mr. Yin actively participates in serving the community and his services include acting as a member of Trade and Industry Advisory Board, a council member of Hong Kong Productivity Council, a member of Hong Kong Labour Advisory Board, a member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region (the "HKSAR Government"), a council member of Hong Kong Trade Development Council, and a committee member of Innovation and Technology Commission. He was awarded the Bronze Bauhinia Star by the HKSAR Government in 2003. He was appointed as Justice of the Peace in 2007 and was awarded the Silver Bauhinia Star by the HKSAR Government in 2009.

Mr. Wong Tin Kit ("Mr. Wong"), aged 62, was appointed as an independent non-executive Director on 27 September 2014. Mr. Wong is also the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee. Mr. Wong served in Qingdao Ocean Shipping Company which is directly operated under the Ministry of Transport and is currently president of Xiang Long (Group) International Limited. He is also the chairman of Hong Kong Shandong Business Association, vice president of Shandong Overseas Chinese Chamber of Commerce, vice president of Shandong Province Association of Overseas Liaison and a member of the People's Political Consultative Standing Committee of Shandong Province.

Ms. Zhao Meiran ("Ms. Zhao"), aged 42, was appointed as an independent non-executive Director on 27 September 2014. Ms. Zhao is also a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. Ms. Zhao is a Qingdao entrepreneur engaged in industries including trading and logistics and has extensive experience in corporate management. Ms. Zhao graduated from Shanghai University and currently serves as chairman of Qingdao Jinnuo Auction House, chairman of Qingdao Cheng Kun Trading Company Limited and general manager of America Los Angeles Travel Holiday Company Limited. Ms. Zhao has been an executive member of Qingdao Red Cross Dust Fund since 2010.

Mr. Li Xue ("Mr. Li"), aged 54, was appointed as an independent non-executive Director on 27 September 2014. Mr. Li is also the chairman of the Audit Committee, a member of Nomination Committee and Remuneration Committee. Mr. Li holds a Master Degree in Economics. He has engaged in the fields of auditing theory and practical research and obtained ample research findings in basic audit theory and environmental auditing theory. He is currently a professor and a tutor for master candidates at the Accounting Department of the Management College of Ocean University of China, the director of Audit and Management Consulting Institute of the Management College of Ocean University of China, and the head of the Accounting Department of Qingdao College of Qingdao Technological University. Mr. Li is also a council member of Accounting Society of China, a member of China Audit Society and a member of the Chinese Institute of Certified Public Accountants.

DIRECTORS' REPORT

The Board presents the annual report and the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 to 46 of this annual report.

The Directors do not recommend the payment of any final dividends for the year ended 31 March 2018 (2017: Nil).

BUSINESS REVIEW

Business review of the Group for the year ended 31 March 2018 has been stated in "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 107 of this annual report.

RESERVES

Details of the movements in reserves of the Group and the Company during the year ended 31 March 2018 are set out in the consolidated statement of changes in equity on page 49 of this annual report and note 34 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had no distributable reserve at 31 March 2018 and 31 March 2017 under the Companies Act 1981 of Bermuda.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

The investment properties of the Group were revalued as at 31 March 2018 and resulting in revaluation gains amounted to approximately HK$18.7 million (2017 gains: HK$9.6 million).

Details of movements in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year ended 31 March 2018 are set out in note 26 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Particulars of the Group's principal properties are set out on page 108 of this annual report.

DIRECTORS

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

Executive Directors:

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

Non-executive Director:

Mr. Li Shaoran *(appointed as a non-executive Director on 22 June 2018)*

Independent non-executive Directors:

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

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, Mr. Chen Mingdong, Mr. Yuan Zhi and Mr. Li Xue shall retire from office by rotation and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 86(2) of the Bye-Laws, Mr. Li Shaoran shall retire from office at the AGM and, being eligible, shall offer himself for re-election at the AGM.

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

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

DIRECTORS' SERVICE CONTRACTS

Mr. Xing Luzheng, an executive Director, entered into a service contract with the Company for a period of three years with effect from 10 September 2014, and either party may terminate such contract by giving three months' written notice or payment in lieu of notice. Mr. Xing Luzheng entered into a letter with the Company to extend his term of appointment for a period of three years commencing from 10 September 2017.

On 27 September 2014, Mr. Jiang Yi was appointed as a non-executive Director and signed an appointment letter with the Company for a period of three years commencing from 27 September 2014. On 26 November 2015, Mr. Jiang Yi was re-designated as an executive Director and entered into a service contract with the Company for a period of three years commencing from 26 November 2015, and either party may terminate such contract by giving three months' written notice or payment in lieu of notice.

Each of Mr. Chen Mingdong, Mr. Wang Yimei and Mr. Yuan Zhi, the executive Directors, entered into a service contract with the Company for a period of three years commencing from 26 November 2015, and either party may terminate such contract by giving three months' written notice or payment in lieu of notice.

Mr. Li Shaoran was appointed as a non-executive Director and has signed an appointment letter with the Company for a period of three years commencing from 22 June 2018.

Each of Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue, the independent non-executive Directors, signed an appointment letter with the Company for a period of three years with effect from 27 September 2014. Each of them entered into a letter with the Company to extend his/her term of appointment for a period of three years commencing from 27 September 2017.

Save 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 CONTROLLING SHAREHOLDERS' AND DIRECTORS' INTERESTS IN CONTRACTS

Save for (i) the financial assistance from the Controlling Shareholders (details of which are set out in the announcement of the Company dated 6 September 2017 and in note 32 to the consolidated financial statements); and (ii) the payments of remuneration to the Directors, all of which constitute exempted connected transactions of the Company, none of the other related party transactions as disclosed in the financial statements is required to be disclosed as connected transactions pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 March 2018.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2018, none of the Directors and the chief executives and their associates of the Company had any interests and short positions in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange 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 of the Company on 22 August 2013, the shareholders of the Company conditionally adopted the share option scheme (the "Share Option Scheme"), which became effective on 27 August 2013.

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

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

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

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

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

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

There were no options granted under the Share Option Scheme since its adoption and as at 31 March 2018. As at the reporting date, options to subscribe for up to 49,927,668 shares of the Company, representing 10% of the total number of shares in issue of the Company (i.e. 499,276,680 shares), are available for issue under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

During the year, no share options were 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 shares of the Company or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS INTERESTS

So far as is known to the Directors and chief executives of the Company, as at 31 March 2018, the following persons (other than a Director or chief executive of the Company or their associates) had the following interests and short positions (if any) in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO.

Interest in the shares of the Company

Long positions

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

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

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the total number of shares in issue of the Company as at 31 March 2018.

* *For identification purposes only*

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the aggregate amount of revenue attributable to the Group's five largest customers accounted for approximately 75% of the Group's total revenue (including the Group's continuing and discontinued operations) and the revenue attributable to the largest customer represented approximately 27% of the total turnover (including the Group's continuing and discontinued operations). The Group maintains good business relationship with the five largest customers.

The aggregate purchase attributable to the Group's largest supplier and five largest suppliers accounted for 100% and 100% of the Group's total purchases for the year, respectively.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's total number of shares in issue) has any interests in any of the Group's five largest customers and suppliers.

RELATIONSHIP WITH EMPLOYEES

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks are set out in note 29 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

EQUITY-LINKED AGREEMENTS

Save for disclosed in the section headed "Share Options" on page 21 of this annual report, the Company did not enter into any equity-linked agreements during the year ended 31 March 2018.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' REPORT

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2018, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2018.

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.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 26 to 33 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, the Company has maintained a public float of its shares as required by the Listing Rules throughout the year ended 31 March 2018 and up to the date of this annual report.

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 31 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, with the management of the Company, the financial statements of the Group for the year ended 31 March 2018 and discussed with the management of the Company on auditing, internal control, risk management systems and financial reporting matters. Information on the composition of the Audit Committee of the Company is set out in the Corporate Governance Report on page 28 of this annual report.

AUDITORS

The financial statements for the years ended 31 March 2016, 2017 and 2018 were audited by Messrs. Deloitte Touche Tohmatsu.

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

Signed on behalf of the Board

Jiang Yi
Executive Director and Chief Executive Officer

Hong Kong, 22 June 2018

CORPORATE GOVERNANCE REPORT

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

The Company has 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 to the Listing Rules. During the year ended 31 March 2018, the Group has complied with the CG Code except for code provisions A.1.1, A.1.3 and E.1.2.

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 2018.

BOARD OF DIRECTORS

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

The Directors

During the year ended 31 March 2018, the Board comprises nine Directors, including five executive Directors and four independent non-executive Directors. The biographical details of the Directors (including the new non-executive Director appointed after the end of the year) are set out on pages 16 to 17 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 officer of the Company are held by separate individuals to ensure a balance of power and authority. Mr. Xing Luzheng is the chairman and Mr. Jiang Yi is the chief executive officer of the Company for the year ended 31 March 2018.

Throughout the year ended 31 March 2018, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualification of accounting or related financial management expertise. The Board has received from each independent non-executive Director an annual confirmation of his/her independence and considers that all of them are independent under the guidelines set out in Rules 3.13 of the Listing Rules.

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

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 shall accurately reflect the financial position of the Group are maintained at all times.

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

Continuous Professional Development of Directors

During the year ended 31 March 2018, the Company provides regular updates on the business performance of the Group to the Directors. Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Group. Every Director is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 March 2018, relevant materials including regulatory updates were provided to the Directors for their reference and study.

A summary of the trainings received by each Director during the year ended 31 March 2018 is set out in the table below:

Director	Training/reading materials on corporate governance, regulatory development and other relevant topics
Executive Directors	
Xing Luzheng	✓
Jiang Yi	✓
Chen Mingdong	✓
Wang Yimei	✓
Yuan Zhi	✓
Independent non-executive Directors	
Yin Tek Shing, Paul	✓
Wong Tin Kit	✓
Zhao Meiran	✓
Li Xue	✓

Board Meetings

Directors are consulted on matters to be included in the agenda for Board meetings and have accessed to advice and services to ensure that Board meeting procedures and all applicable rules and regulations are followed. 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 three Board meetings during the year ended 31 March 2018. In addition to regular Board meetings, the Chairman of the Company met with the independent non-executive Directors of the Company without the presence of the executive Directors of the Company.

Audit Committee

During the year ended 31 March 2018, the Audit Committee comprised four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue (chairman of the Audit Committee). Mr. Li Xue, the chairman of the Audit Committee, has appropriate professional qualifications and experience as required by the Listing Rules.

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

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

The Audit Committee held two meetings for the year ended 31 March 2018. During the year ended 31 March 2018, the Audit Committee performed the following duties:

(a) reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2017 with the external auditors and the unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2017 with recommendation to the Board for approval;

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

(c) considered the independent auditors' independence and fee in relation to the audited consolidated financial statements of the Group for the year ended 31 March 2017, the unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2017 and non-audit related services.

Remuneration Committee

The Remuneration Committee was established on 29 March 2012. During the year ended 31 March 2018, the Remuneration Committee comprised four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit (Chairman of the Remuneration Committee), Ms. Zhao Meiran and Mr. Li Xue. The Remuneration Committee held two meetings during the year ended 31 March 2018.

The duties of the Remuneration Committee include:

(a) to make recommendations to the Board on the Company's policies and structure for all directors 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.

The emolument payable to Directors is determined by the Board with reference to the Directors' duties and responsibilities with the Company, the prevailing market conditions and the remuneration benchmark of the industry.

Nomination Committee

The Nomination Committee was established on 29 March 2012. During the year ended 31 March 2018, the Nomination Committee comprised one executive Director, namely, Mr. Xing Luzheng (Chairman of the Nomination Committee), and four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue. The Nomination Committee held two meetings during the year ended 31 March 2018.

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) to 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 factors 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 committees meetings, the annual general meeting (the "AGM") held on 15 September 2017 and the special general meeting (the "SGM") held on 6 November 2017 during the year ended 31 March 2018 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**	**SGM**
Executive Directors						
Xing Luzheng	1/3	N/A	N/A	1/2	0/1	0/1
Chen Mingdong	2/3	N/A	N/A	N/A	1/1	0/1
Jiang Yi	2/3	N/A	N/A	N/A	1/1	1/1
Wang Yimei	3/3	N/A	N/A	N/A	1/1	1/1
Yuan Zhi	3/3	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Yin Tek Shing, Paul	3/3	2/2	2/2	2/2	1/1	0/1
Wong Tin Kit	2/3	1/2	2/2	2/2	1/1	0/1
Zhao Meiran	3/3	2/2	2/2	2/2	1/1	1/1
Li Xue	3/3	2/2	2/2	2/2	1/1	1/1

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

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

COMPANY SECRETARY

The Company's secretarial functions are outsourced to external service provider. The primary corporate contact person at the Company is Mr. Jiang Yi, an executive Director, during the year ended 31 March 2018.

In accordance with Rule 3.29 of the Listing Rules, Mr. Chan Kwong Leung, Eric, the company secretary of the Company, confirmed that he has taken no less than 15 hours of the relevant professional training during the year ended 31 March 2018.

SHAREHOLDERS' RIGHTS

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

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

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS OF THE COMPANY

There were no significant changes in constitutional documents of the Company during the year ended 31 March 2018.

CORPORATE GOVERNANCE REPORT

DEVIATIONS FROM THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Under the code provision A.1.1 of the CG Code, the Board should meet regularly and the board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2018, the Board held three regular Board meetings. The significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the three Board meetings or dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes.

Code provision A.1.3 of the CG Code stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year ended 31 March 2018, one of the Board meetings was convened with less than 14 days' notice to facilitate the directors of the Company timely decision making process in respect of internal affairs of the Group. The Board will use reasonable endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Xing Luzheng, the chairman of the Company during the year ended 31 March 2018, was unable to attend the annual general meeting of the Company held on 15 September 2017 due to his other business engagements.

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

EXTERNAL AUDITOR

During the year ended 31 March 2018, the fees paid/payable to the auditor and its affiliated firms in respect of audit and non-audit services provided by the auditor and its affiliated firms were as follows:

Nature of services		**Amount** (HK$'000)
Audit service	Deloitte Touche Tohmatsu	1,300
Review of unaudited interim financial statements	Deloitte Touche Tohmatsu	310
Review of preliminary announcement	Deloitte Touche Tohmatsu	20
Tax advisory service	Deloitte Advisory (Hong Kong) Limited	47
Financial advisory service	Deloitte & Touche Corporate Finance Limited	3,230
Service related to acting as the reporting accountant	Deloitte Touche Tohmatsu	1,030

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

FINANCIAL REPORTING

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

The statement of the independent auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 39 and 44 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Board has engaged an external professional consultant to review the risk management and internal controls systems for the year ended 31 March 2018. The Audit Committee and the Board have discussed and reviewed the results of the review. The Board considers the review effective and adequate. Where appropriate, the external auditor's recommendations have been adopted and enhancements to the risk management and internal controls have been made.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About this Report

1.1. Reporting Period

This Environmental, Social and Governance ("ESG") report of the Group illustrates and highlights the environmental and social performance of the Group from 1 April 2017 to 31 March 2018.

1.2. Reporting Scope

The content of this ESG report is focused on the Group's business in leasing of investment properties, the provision of loan financing and the digital Chinese calligraphy education equipment business in Hong Kong and the People's Republic of China ("PRC"). This report demonstrates the ESG performance of the Group's business operation in achieving sustainable development for the future.

1.3. Reporting Framework

This ESG report follows the disclosure requirement as set out in the Environmental, Social and Governance Reporting Guide ("ESG Guide") contained in Appendix 27 to the Listing Rules.

Key Performance Index ("KPI") Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the sections of this report
A1 Emissions Policies and Compliances	Emissions Policies and Compliances Emissions Reduction Greenhouse Gas Emissions Waste Reduction
A2 Use of Resources	Resources Conservation Energy Consumption – Electricity Water Consumption
A3 The Environment and Natural Resources	Emissions Policies and Compliances Resources Conservation
B1 Employment Policies and Compliances	Employment
B2 Health and Safety Policies and Compliances	Health and Safety
B3 Development and Training Policies	Development and Training
B4 Labour Standards Policies and Compliances	Employment Development and Training
B5 Supply Chain Management Policies	Supply Chain Management
B6 Product Responsibility Policies and Compliances	Product Responsibility and Quality Assurance Process Protecting Intellectual Property Rights Consumer Data Protection and Privacy
B7 Anti-corruption Policies and Compliances	Anticorruption and Anti-money Laundering Preventive Measures and Whistle-blowing Procedures
B8 Community Investment Policies	Community Investment

2. Emissions Policies and Compliance

As an investment-oriented company, the Group does not involve in air (dust and residues), water, and noise pollution which are regulated under relevant environmental laws and regulations. The Group's recent acquisition of a new business, which involves the research, manufacturing and sales of digital Chinese calligraphy education equipment as well as various digital business, has no significant influence on the total emission of the Group. However, it is worth noting that with the upcoming manufacturing activities, more environmental related matters that need attention would be highlighted in this report.

2.1. Emissions Reduction

Greenhouse Gas ("GHG") Emissions

The total net GHG emissions generated by the Group were 10.83 tonnes of carbon dioxide equivalent (tCO_2-eq) (mainly carbon dioxide, methane and nitrous oxide) (2017: 3.21 tCO_2-eq). With the total audited area of 1,607.61 m^2 (2017: 87.6 m^2), the total annual emission intensity due to energy usage was 0.007 tCO_2-eq/m^2 (2017: 0.04 tCO_2-eq). Over 96% of the GHG emissions were derived from the consumption of electricity in the Hong Kong and PRC offices. The Group's energy saving practice includes the use of energy saving lighting fixture and switching unused air-conditioning, lightings and equipment.

The following table highlights the carbon footprint of the Group as at 31st March 2018.

Scope	Sources of GHG emissions	GHG* emissions (in tCO_2-eq)	GHG* emissions by scope (in tCO_2-eq)	Distribution	% Change year on year
1	Stationary	Nil	Nil	Nil	N/A
2	Purchased electricity	10.49 (2.80)	10.49 (2.80)	96.85% (87.13%)	275%
3	Disposal of paper waste	0.34 (0.41)	0.34 (0.41)	3.15% (13.72%)	–17.73%
	Fresh water processing	Nil			
	Sewage water processing	Nil			
Total GHG* emissions		10.83 (3.21)		100%	237.35%
Carbon Emission Intensity		0.007 (0.04)			–81.61%

* The GHG is calculated according to the 'Guiltiness to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by EPD and EMSD.

The total annual GHG emissions from the Group increased by more than 2.37 times as compared to the last reporting period, which was mainly due to the opening of the Group's new office in Jinan, PRC. The significant decrease in emission intensity (from 0.04 to 0.007 in tCO_2-eq/m^2) was the result of the increase in operation area in contrast with energy usage. The Group will continue to monitor its energy use efficiency.

2.2. Waste Reduction

Due to the business nature, paper was the only non-hazardous waste generated by the Group. It was recorded that 71.1 kg of paper (2017: 86.1 kg) were used by office administration. Paper waste was collected by office building management for recycling and disposal. The Group has been practicing default double-sided printing, password confirmation for printing to prevent printing mistakes and paper wastage. The weight of general paper used in the offices was similar year on year, with the additional office of the Group, the result reflected the Group's effort in enhancing reuse and recycling policy.

2.3. Resources Conservation

Energy Consumption – Electricity

The total electricity consumption was 10,514 Kilowatt-hour (kWh) (2017: 3,586 kWh), with an energy intensity of 6.54 kWh/m^2 (2017: 40.93 kWh/m^2). The increase in electricity consumption but decrease in energy intensity were mainly attributed to the increase in operation area as a result of the opening of the additional office. Thus, continued monitoring is needed to determine the long-term energy efficiency of the Group. Moreover, the upcoming manufacturing business would have a higher demand for electricity, the Group would seek for more energy efficient equipment and production process to reduce electricity consumption.

Water Consumption

The amount of water consumed during the reporting period was not recorded as it is included in the management fee of the offices and the Group did not have the relevant information. Besides, it is believed that the water usage of offices would not be significant. Nevertheless, as the Group has acquired new business, the total water consumption is expected to increase in the coming year. The Group shall actively introduce water conservation measures in the production plants to enhance water efficiency and save this precious natural resource on earth.

3. Employment

As at 31 March 2018, the total number of employees being employed by the Group was 42 (2017: 11). The increase in number of employees was due to the acquisition of the new business in PRC. With the additional workforce, the Group continues to foster a sense of ownership among employees by building a stimulating yet harmonious working environment. The annual turnover rate was 3.5 (2017:0).

A competitive remuneration and benefit package is structured to encourage a sustainable workforce with a wide range of additional benefits such as medical insurance, general allowance, marriage leave and year end bonus. The Group complies with the laws and regulations relating to employment, child and forced labour practice. The Group strictly abides by the guidelines set out by the Group's Human Resource Department, so that suitable candidates are hired in accordance with the job requirements and candidates' expectations. During the reporting period, there was no incidence of work stoppages, labour disputes, litigations, claims, administrative actions or arbitrations against the Group.

3.1. Health and Safety

The Group recognises that ensuring the health and wellbeing of its employees is important as human resource is one of the Group's most valuable assets. In compliance with the relevant occupational health and safety regulations in Hong Kong and PRC, instructions and guidelines on employees' health and safety precautions are developed and communicated to maintain a healthy and safe working environment for employees. There was no work-related injury during the reporting period.

3.2. Development and Training

The Group provides equal opportunities for employees in respect of recruitment, training and development, and promotion. The Group encourages lifelong learning and offer training sponsorship to its employees to enhance their performance and to provide support to their personal development. The objective of the Group's human resource management is to reward and recognise performing staff by a sound performance appraisal system with appropriate incentives. Salaries and wages are reviewed annually based on performance appraisals, qualifications, experience, position and seniority.

4. Supply Chain Management

The Group's procurement policy is to ensure that products and services are procured in an honest, competitive, fair, and transparent manner. Products and services suppliers are being selected based on tender terms and factors including their reputation, financial reliability, product quality and price stability. Sourcing for supplies is generally executed by the Administration Department and the approved suppliers list with 15 products and services suppliers is updated periodically and communicated to employees. The Group recognizes the importance of using strategic suppliers who offer innovative, high quality, safe and technologically advanced products to meet the Group's developing needs.

5. Product Responsibility and Quality Assurance

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

5.1. Protecting Intellectual Property Rights

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

5.2. Consumer Data Protection and Privacy

As a money lender's license holder, the Group complies with the Personal Data (Privacy) Ordinance by not only protecting all personal data collected from customers, but those collected from employees and suppliers. As stipulated in the Group's Code of Conduct on data protection policy, the computers and servers are protected by access passwords, employees are instructed of their responsibility to ensure the safekeeping of all personal data, trade secrets and proprietary information.

6. Anti-corruption and Anti-money Laundering

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

6.1. Preventive Measures and Whistle-blowing Procedures

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

7. Community Investment

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

8. Considering the Future of Sustainable Development

Developing sustainably in Hong Kong and the PRC continues to be a challenge, with an increasing concern on environmental problems, climate change and natural resources scarcity that leads to higher operating cost. The Group will strive to explore more business opportunities to develop it business in the competitive market place.

9. Stakeholders' Feedback

Your comments and feedbacks regarding the Group's performance and approach on environmental, social and governance aspects are valuable to its continuous improvement. Questions, suggestions and recommendations could be sent via the 'contact us' link in the Group's official website at https://www.qingdaohi.com or by email to info@qingdaohi.com.

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Qingdao Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 106, which comprise the consolidated statement of financial position as at 31 March 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgments involved in determining the inputs used in the valuation. As at 31 March 2018, the Group's investment properties amounted to HK$576,250,000 and represented 73% of the Group's total assets. As disclosed in note 4 to the consolidated financial statements, the Group's investment properties are stated at fair values based on valuations conducted by an independent firm of professional valuers (the "Valuers") using property valuation techniques which involve certain assumptions of market conditions. Details of the valuation techniques and key unobservable inputs used in the valuations are disclosed in note 15 to the consolidated financial statements.	Our procedures in relation to assessing the appropriateness of the fair values of the investment properties included: • Obtaining an understanding of management controls over the valuations of investment properties; • Evaluating the competence, capabilities and objectivity of the Valuers; • Assessing the scope of the valuations, appropriateness of significant assumptions, critical judgments and key inputs in the valuations and assessing the appropriateness of the methodology based on available market data and our knowledge of the property industry; and • Checking the reasonableness of source data used in the valuations on a sample basis by benchmarking the details of rental, term yield, reversionary yield and market price per sq. metre to relevant market information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets arising from acquisition of a business	
We identified the valuation of intangible assets arising from acquisition of a business, namely the education equipment business, as a key audit matter due to the fact that the related valuation would affect the allocation of fair values to assets acquired in the business acquisition. Referring to note 27 to the consolidated financial statements, the fair value of the intangible assets arising from this acquisition was HK$30,150,000 based on a valuation performed by the Valuers. In estimating the fair value of the assets acquired in this business acquisition, significant judgments were exercised by management in the preparation of the discounted cash flows which require estimations of key assumptions and inputs including terminal value, discount rates and growth rates.	Our procedures in relation to the valuation of intangible assets arising from acquisition of a business included: • Assessing the competence, capabilities and objectivity of the independent professional valuer by reference to its qualifications and experience; • Obtaining an understanding from the Valuers about the valuation methodology, significant assumptions adopted, critical judgments on key inputs and data used in the valuations; • Engaging our internal expert to assess the reasonableness of the valuations by performing the following procedures: – assessing the reasonableness of the valuation methodology used to determine the recoverable amount; – assessing the reasonableness of the discount rate used by referencing to market and entity specific information; and – checking the mathematical accuracy of the calculation used in the valuation model; and • Evaluating the appropriateness of the key assumptions in the cash flow projections and the discounted cash flow model, including the discount rates, growth rates, budgeted sales and gross margins, by discussing with the management and with reference to our understanding of the relevant industry.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	5	**8,406**	2,628
Finished goods purchased		**(476)**	–
Change in inventories of finished goods		**236**	–
Increase in fair value of investment properties	15	**18,713**	9,580
Other income	6	**2,090**	1,037
Other gains and losses	6	**490**	(24)
Employee benefit expenses		**(1,943)**	(1,646)
Other operating expenses		**(12,718)**	(5,438)
Finance costs	7	**(6,881)**	–
Profit before taxation		**7,917**	6,137
Taxation	8	**(2,812)**	(171)
Profit for the year from continuing operations		**5,105**	5,966
Discontinued operation			
Loss for the year from discontinued operation	9	**–**	(208)
Profit for the year	10	**5,105**	5,758
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial asset		**(427)**	(289)
Exchange differences arising on translation of foreign operations of subsidiaries		**1,597**	–
Other comprehensive income (expense) for the year		**1,170**	(289)
Total comprehensive income for the year		**6,275**	5,469
Profit (loss) for the year attributable to owners of the Company:			
– from continuing operations		**5,817**	5,967
– from discontinued operation		**–**	(208)
		5,817	5,759
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(712)**	(1)
		5,105	5,758

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2018

	NOTE	**2018** **HK$'000**	2017 HK$'000
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**6,613**	5,470
– Non-controlling interests		**(338)**	(1)
		6,275	5,469
Earnings per share			
From continuing and discontinued operations			
– Basic (HK cents)	13	**1.17**	1.15
From continuing operations			
– Basic (HK cents)	13	**1.17**	1.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**25,506**	26,867
Investment properties	15	**576,250**	148,900
Goodwill	17	**6,513**	–
Intangible assets	18	**30,175**	–
Available-for-sale financial asset	19	**13,264**	13,691
Deferred tax assets	25	**4,182**	–
		655,890	189,458
Current assets			
Inventories	20	**236**	–
Trade and other receivables	21	**19,885**	934
Loan and interest receivables	22	**12,080**	–
Tax recoverable		**798**	300
Bank balances and cash	23	**103,861**	63,975
		136,860	65,209
Current liabilities			
Trade and other payables	24	**17,536**	2,779
Rental deposits from tenants		**319**	37
Amount due to ultimate holding company	32(a)	**6,901**	–
Amount due to an intermediate holding company	32(b)	**275**	–
Income tax payable		**802**	162
		25,833	2,978
Net current assets		**111,027**	62,231
Total assets less current liabilities		**766,917**	251,689
Non-current liabilities			
Rental deposits from tenants		**467**	740
Deferred tax liabilities	25	**3,221**	1,038
Loan from ultimate holding company	32(a)	**430,000**	–
Loan from an intermediate holding company	32(b)	**39,000**	–
		472,688	1,778
		294,229	249,911

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTE	**2018** **HK$'000**	2017 HK$'000
Capital and reserves			
Share capital	26	**49,928**	49,928
Reserves		**206,596**	199,983
Equity attributable to owners of the Company		**256,524**	249,911
Non-controlling interests		**37,705**	–
		294,229	249,911

The consolidated financial statements on pages 45 to 106 were approved and authorised for issue by the board of directors on 22 June 2018 and are signed on its behalf by:

Xing Luzheng
DIRECTOR

Jiang Yi
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Surplus account HK$'000 (note)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2016	49,928	328,931	–	–	(134,595)	244,264	194	244,458
Fair value loss on available-for-sale investment	–	–	(289)	–	–	(289)	–	(289)
Profit (loss) for the year	–	–	–	–	5,759	5,759	(1)	5,758
Total comprehensive (expense) income for the year	–	–	(289)	–	5,759	5,470	(1)	5,469
Acquisitions of additional interests in a subsidiary (note 35)	–	–	–	–	177	177	(193)	(16)
As at 31 March 2017	49,928	328,931	(289)	–	(128,659)	249,911	–	249,911
Fair value loss on available-for-sale investment	–	–	(427)	–	–	(427)	–	(427)
Exchange differences arising on translation of foreign operations of subsidiaries	–	–	–	1,223	–	1,223	374	1,597
Profit (loss) for the year	–	–	–	–	5,817	5,817	(712)	5,105
Total comprehensive (expense) income for the year	–	–	(427)	1,223	5,817	6,613	(338)	6,275
Arising from acquisition of a business (note 27)	–	–	–	–	–	–	38,043	38,043
As at 31 March 2018	49,928	328,931	(716)	1,223	(122,842)	256,524	37,705	294,229

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2018

	NOTE	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit for the year		**5,105**	5,758
Adjustments for:			
Amortisation of intangible assets		**243**	–
Depreciation		**1,478**	1,475
Income tax		**2,812**	171
Increase in fair value of investment properties		**(18,713)**	(9,580)
Finance cost		**6,881**	–
Bank interest income		**(260)**	(552)
Investment income		**(727)**	(485)
Operating cash flows before movements in working capital		**(3,181)**	(3,213)
Increase in inventory		**(236)**	–
Increase in trade and other receivables		**(17,929)**	(196)
Increase in loan and interest receivables		**(12,080)**	–
Increase in trade and other payables		**14,093**	1,632
Increase in rental deposits from tenants		**9**	413
Cash used in operations		**(19,324)**	(1,364)
Income tax paid		**(567)**	(316)
NET CASH USED IN OPERATING ACTIVITIES		**(19,891)**	(1,680)
INVESTING ACTIVITIES			
Purchase of an investment property		**(390,863)**	(48,680)
Acquisition of a business	27	**(2,826)**	–
Addition to property, plant and equipment		**(69)**	(351)
Investment income received		**727**	485
Bank interest received		**260**	552
Acquisition of available-for-sale financial asset		**–**	(13,980)
NET CASH USED IN INVESTING ACTIVITIES		**(392,771)**	(61,974)
FINANCING ACTIVITIES			
Increase in loan from ultimate holding company		**411,483**	–
Increase in loan from an intermediate holding company		**39,000**	–
Interest paid		**(2)**	–
Acquisition of additional interests in a subsidiary		**–**	(16)
CASH FROM (USED IN) FINANCING ACTIVITIES		**450,481**	(16)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**37,819**	(63,670)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**63,975**	127,645
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,067**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**103,861**	63,975

1. GENERAL

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

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

The 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 35 to the consolidated financial statements. The Company has acquired an investment property in the PRC for expansion of business of leasing of properties (see note 15) and a business (see note 27) during the year ended 31 March 2018. The activity of the Group's subsidiary engaged in carpark management was discontinued during the year ended 31 March 2017 (see note 9).

* *The English name is for identification only.*

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 36. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 36, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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

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

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value 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.

- 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.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Unlisted investments in Hong Kong classified as an available-for-sale financial asset carried at fair value as disclosed in note 19: the Group will measure the financial asset at fair value with subsequent fair value gains or losses to be recognised in profit or loss as the financial asset does not contain cash flows that are solely payments of principal and interest. Upon initial application of HKFRS 9, investment revaluation reserve of HK$716,000 related to the available-for-sale investments will be transferred to retained profits at 1 April 2018; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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

HKFRS 9 *Financial Instruments* (continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would not materially different as compared to the accumulated amount recognised under HKAS 39 as at 31 March 2018.

HKFRS 15 *Revenue from Contracts with Customers*

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.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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

HKFRS 15 *Revenue from Contracts with Customers* (continued)

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 April 2018.

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$1,897,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$6,000 and refundable rental deposits received of HK$786,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies 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 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

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

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

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

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

The significant accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

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

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.

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

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

Service income is recognised when services are provided.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs, not attributable to the construction, acquisition or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

Property, plant and equipment

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

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

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

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.

Intangible assets

Intangible assets acquired in a business combination

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Inventories

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

Financial instruments

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

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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

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

AFS financial assets

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

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

Impairment of financial assets

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

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

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

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

For certain categories of financial assets, such as trade and other receivables, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either a financial liability or as equity 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortised cost

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

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

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

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

Key source of estimation uncertainty

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

Fair value of investment properties

As at 31 March 2018, the Group's investment properties amounted to HK$576,250,000 (2017: HK$148,900,000) and represented 73% (2017: 58%) of the Group's total assets. The Group's investment properties are stated at fair values based on valuations conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Details of the valuation techniques and key unobservable inputs used in the valuations are disclosed in note 15.

Valuation of intangible assets arising from acquisition of a business

During the year ended 31 March 2018, the Group has completed the acquisition of an education equipment business (note 27). The fair value of intangible assets arising from acquisition of a business as at the date of the business acquisition was HK$30,150,000 based on a valuation performed by an independent professional valuer. In estimating the fair value of the intangible assets arising from acquisition of a business, significant judgment was exercised by management in the preparation of the discounted cash flows which require the estimation of key assumptions and inputs including discount rates, growth rates, budgeted sales and gross margins.

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

Key source of estimation uncertainty (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As at 31 March 2018, the carrying amount of goodwill was HK$6,513,000. Details of impairment review are disclosed in note 17.

Estimated useful lives of intangible assets

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

At 31 March 2018, the carrying amount of intangible assets was HK$30,175,000 (2017: Nil). Details of the useful lives of the intangible assets are disclosed in note 18.

5. SEGMENT INFORMATION

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

An operating segment regarding carpark management was discontinued during the year ended 31 March 2017. The segment information reported below does not include any amounts for this discontinued operation, which are described in more detail in note 9.

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

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

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

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

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

5. SEGMENT INFORMATION (continued)

For the year ended 31 March 2018

Continuing operations

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

For the year ended 31 March 2017

Continuing operations

	Segment revenue HK$'000	Segment results HK$'000
Leasing of properties	2,628	1,048
Loan financing	–	(21)
Segment total	2,628	1,027
Increase in fair value of investment properties		9,580
Unallocated income		1,037
Unallocated expenses		(5,507)
Profit before taxation (continuing operations)		6,137

5. SEGMENT INFORMATION (continued)

Other segment information

During the year, an addition to non-current assets relating to leasing of properties segment amounted to HK$390,863,000 (2017: HK$48,680,000) was included in the measurement of segment assets.

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of increase in fair value of investment properties, legal and professional fees, other income, certain other gains and losses, certain employee benefit expenses and certain other operating expenses. Besides, segment results are analysed before taxation whereas 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations:				
Leasing of properties	**595,544**	149,505	**454,581**	2,028
Loan financing	**12,080**	–	**80**	10
Production and sale of education equipment	**41,486**	–	**40,891**	–
	649,110	149,505	**495,552**	2,038
Discontinued operation	**–**	–	**–**	588
Segment total	**649,110**	149,505	**495,552**	2,626
Unallocated:				
Bank balances and cash	**103,861**	63,975	**–**	–
Others	**39,779**	41,187	**2,969**	2,130
Total	**792,750**	254,667	**498,521**	4,756

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain other receivables of the corporate office, available-for-sale financial asset and bank balances and cash.
- 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 change in fair value of investment properties was not reported to the CODM as part of the segment results.

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

5. SEGMENT INFORMATION (continued)

Geographical information

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

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

	Sales revenue by geographical market	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**4,462**	2,628
The PRC	**3,944**	–
	8,406	2,628

The following is an analysis of the carrying amount of non-current assets excluding available-for-sale investments and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**188,898**	175,767
The PRC	**449,546**	–
	638,444	175,767

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:

	2018	2017
	HK$'000	HK$'000
Customer A – Leasing of properties	**2,310**	2,155
Customer B – Leasing of properties (Note)	**1,987**	N/A
Customer C – Leasing of properties (Note)	**1,112**	N/A

Note: Revenue from this customer contributed less than 10% of the Group's total revenue for the year ended 31 March 2017.

6. OTHER INCOME, OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Continuing operations		
Other income		
Bank interest income	**260**	552
Investment income from available-for-sale financial asset	**727**	485
Agency and advisory service income	**1,046**	–
Others	**57**	–
	2,090	1,037
Other gains and losses, net		
Net foreign exchange gain (loss)	**490**	(24)

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on:		
Loan from ultimate holding company (note 32(a))	**6,604**	–
Loan from an intermediate holding company (note 32(b))	**275**	–
Others	**2**	–
	6,881	–

8. TAXATION

	2018 HK$'000	2017 HK$'000
Continuing operations		
Current tax – Hong Kong Profits Tax	**197**	84
Current tax – PRC Enterprise Income Tax ("EIT")	**490**	–
Deferred tax (note 25)	**2,125**	87
	2,812	171

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

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for current year.

8. TAXATION (continued)

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

	2018 HK$'000	2017 HK$'000
Profit before taxation	**7,917**	5,929
Tax at the Hong Kong Profits Tax rate of 16.5%	**1,306**	978
Tax effect of expenses not deductible for tax purpose	**1,477**	356
Tax effect of income not taxable for tax purpose	**(2,034)**	(1,810)
Tax effect of tax losses not recognised	**1,581**	674
Utilisation of tax losses previously not recognised	**(349)**	(27)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**857**	–
Others	**(26)**	–
Income tax expense for the year	**2,812**	171

9. DISCONTINUED OPERATION

The Group ceased its carpark management operation which represented a separate operating segment carried out by a subsidiary, Keen Capital Investments Limited ("Keen Capital") upon the expiry of the leases for car parking spaces on 6 October 2016. The cessation was effected in order to maintain cash flows for the Group's operation in other businesses.

The loss for the year ended 31 March 2017 from the discontinued carpark management operation was approximately HK$208,000.

9. DISCONTINUED OPERATION (continued)

The results of the carpark management operation for the period from 1 April 2016 to 6 October 2016 which had been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	HK$'000
Revenue	991
Employee benefit expenses	(387)
Other operating expenses	(812)
Loss before taxation	(208)
Taxation	–
Loss for the period	(208)

Loss for the period from a discontinued operation includes the following:

Auditor's remuneration	(20)
Gross rental income	991
Less: direct operating expenses that generated rental income during the year	(790)
	201

During the year ended 31 March 2017, other than HK$20,000 used in operating activities, Keen Capital had no cash flows contributed to the Group.

10. PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	**1,300**	522
Depreciation of property, plant and equipment	**1,478**	1,475
Amortisation of intangible assets	**243**	–
Cost of inventories recognised as an expense	**240**	–
Directors' emoluments (note 11(a))	**480**	480
Other staff costs:		
– Salaries and other benefits	**1,338**	1,121
– Retirement benefit scheme contributions	**125**	45
Total staff costs	**1,943**	1,646
Gross rental income	**(7,368)**	(2,628)
Less: direct operating expenses that generated rental income during the year	**95**	145
	(7,273)	(2,483)

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

(a) Directors' and chief executive's emoluments

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

	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2018					
Executive Directors:					
Mr. Xing Luzheng (note i)	–	–	–	–	–
Mr. Chen Mingdong (note i)	–	–	–	–	–
Mr. Jiang Yi (notes i and ii)	–	–	–	–	–
Mr. Wang Yimei (note i)	–	–	–	–	–
Mr. Yuan Zhi (note i)	–	–	–	–	–
Independent non-executive Directors:					
Mr. Yin Tek Shing, Paul	120	–	–	–	120
Mr. Wong Tin Kit	120	–	–	–	120
Ms. Zhao Meiran	120	–	–	–	120
Mr. Li Xue	120	–	–	–	120
	480	–	–	–	480

notes:

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

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

11. 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 of the Company including the chief executive during the year were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2017					
Executive Directors:					
Mr. Xing Luzheng (note i)	–	–	–	–	–
Mr. Chen Mingdong (note i)	–	–	–	–	–
Mr. Jiang Yi (notes i and ii)	–	–	–	–	–
Mr. Wang Yimei (note i)	–	–	–	–	–
Mr. Yuan Zhi (note i)	–	–	–	–	–
Non-executive Director:					
Mr. Zhang Zhenan (note i) (resigned on 21 June 2016)	–	–	–	–	–
Independent non-executive Directors:					
Mr. Yin Tek Shing, Paul	120	–	–	–	120
Mr. Wong Tin Kit	120	–	–	–	120
Ms. Zhao Meiran	120	–	–	–	120
Mr. Li Xue	120	–	–	–	120
	480	–	–	–	480

notes:

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

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

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

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

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

(b) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2017: one) were directors whose emoluments are included in the disclosures in note 11(a) above. The emoluments of the remaining three (2017: four) individuals were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**835**	1,085
Retirement benefit scheme contributions	**55**	44
	890	1,129

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

	2018 **Number of** **employees**	2017 Number of employees
Not exceeding HK$1,000,000	**3**	4

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.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

13. EARNINGS PER SHARE

For continuing operations

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

Earnings figures are calculated as follows:

	2018 HK$'000	2017 HK$'000
Profit for the year attributable to owners of the Company	**5,817**	5,759
Less: Loss for the year from discontinued operation	**–**	(208)
Earnings for the purpose of basic earnings per share from continuing operations	**5,817**	5,967

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**499,276,680**	499,276,680

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share Profit for the year attributable to owners of the Company	**5,817**	5,759

The denominators used are the same as detailed above for basic earnings per share.

From discontinued operation

For the year ended 31 March 2017, basic loss per share for the discontinued operation is HK0.05 cent per share, based on the loss for the year from the discontinued operation of HK$208,000 and the denominators detailed above for basic earnings per share.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
COST				
At 1 April 2016	28,248	–	134	28,382
Additions	–	311	40	351
At 31 March 2017	28,248	311	174	28,733
Arising from acquisition of a business (note 27)	–	–	48	48
Additions	–	–	69	69
At 31 March 2018	28,248	311	291	28,850
ACCUMULATED DEPRECIATION				
At 1 April 2016	353	–	38	391
Provided for the year	1,412	29	34	1,475
At 31 March 2017	1,765	29	72	1,866
Provided for the year	1,412	31	35	1,478
At 31 March 2018	3,177	60	107	3,344
CARRYING VALUE				
At 31 March 2018	25,071	251	184	25,506
At 31 March 2017	26,483	282	102	26,867

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

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

15. INVESTMENT PROPERTIES

	Total
	HK$'000
FAIR VALUE	
At 1 April 2016	90,640
Addition	48,680
Increase in fair value recognised in profit or loss	9,580
At 31 March 2017	148,900
Addition	390,863
Increase in fair value recognised in profit or loss	18,713
Exchange realignment	17,774
At 31 March 2018	576,250

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

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

The valuations for investment properties have been arrived at on the basis of valuations carried out at 31 March 2018 by Vigers Appraisal & Consulting Limited (2017: Peak Vision Appraisals Limited), a firm of professional valuers independent to the Group.

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

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

15. INVESTMENT PROPERTIES (continued)

Followings are the key inputs used in valuing the investment properties as at 31 March 2018:

Category	Term of lease	Fair value hierarchy	Fair value at 31 March 2018 HK$'000	Fair value at 31 March 2017 HK$'000	Valuation techniques	Key unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Residential Property in Hong Kong	Medium-term lease	Level 3	**11,000**	10,100	Income capitalisation method based on the average market observable rental value of similar properties after applying adjusting factors to reflect the conditions and locations of the subject property	(1) Term yield	2.50% (2017: 2.25%)	The higher the term yield, the lower the fair value.
						(2) Reversionary yield	2.50% (2017: 2.50%)	The higher the reversionary yield, the lower the fair value
						(3) Monthly rent per sq.ft.	HK$39 (2017: HK$33)	The higher the monthly rent, the higher the fair value
						(4) Reversionary rent per sq.ft.	HK$39 – HK$45 (2017: HK$36 – HK$43)	The higher the reversionary rent, the higher the fair value.
						Adjusting factors on location and conditions including floor, and size of the property	Adjusting factors of -5% (2017: ranging from -10% to 3%)	The more favourable the adjusting factor, the higher the fair values, or vice versa.
Industrial and commercial property in Hong Kong	Medium-term to long lease	Level 3	**98,500**	87,800	Income capitalisation method based on the average market observable rental value of similar properties after applying adjusting factors to reflect the conditions and locations of the subject property	(1) Term yield	3.25% (2017: 2.75%)	The higher the term yield, the lower the fair value.
						(2) Reversionary yield	3.25% to 3.50% (2017: 3.00%)	The higher the reversionary yield, the lower the fair value
						(3) Monthly rent per sq.ft.	HK$17 (2017: HK$12)	The higher the monthly rent, the higher the fair value
						(4) Reversionary rent per sq.ft.	HK$17 – HK$19 (2017: HK$12 – HK$14)	The higher the reversionary rent, the higher the fair value.
						Adjusting factors on location and conditions including floor, age, size and view of the property	Adjusting factors of 0% (2017: ranging from -8% to 4%)	The more favourable the adjusting factor, the higher the fair values, or vice versa.

15. INVESTMENT PROPERTIES (continued)

Category	Term of lease	Fair value hierarchy	Fair value at 31 March 2018 HK$'000	2017 HK$'000	Valuation techniques	Key unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Commercial property in Hong Kong	Medium-term lease	Level 3	**54,000**	51,000	Income capitalisation method based on the average market observable rental value of similar properties after applying adjusting factors to reflect the conditions and locations of the subject property	(1) Term yield	2.00% (2017: 2.25%)	The higher the term yield, the lower the fair value
						(2) Reversionary yield	2.00% (2017: 2.50%)	The higher the reversionary yield, the lower the fair value
						(3) Monthly rent per sq.ft	HK$75 (2017: HK$75)	The higher the monthly rent, the higher the fair value
						(4) Reversionary rent per sq.ft.	HK$69 – HK$84 (2017: HK$51 – HK$67)	The higher the reversionary rent, the higher the fair value.
						Adjusting factors on location and conditions including floor, and size of the property	Adjusting factors ranging from -14% to 4% (2017: -5% to 3%)	The more favourable the adjusting factor, the higher the fair values, or vice versa.
Commercial property in the PRC (Note)	Long lease	Level 3	**412,750**	-	Term and reversionary method based on unobservable inputs and taking into account the significant adjustment in term yield to account for the risk upon reversionary and the estimation in market price after expiry of current lease	(1) Term yield	5.50%	The higher the term yield, the lower the fair value.
						(2) Reversionary yield	5.50%	The higher the reversionary yield, the lower the fair value
						(3) Market price per sq.metre.	HK$21,500	The higher the market price, the higher the fair value
			576,250	148,900				

Note: The Group has not yet obtained all the property ownership certificates due to the administrative process time required in the completion of registration. The PRC legal adviser of the Group has confirmed that this does not affect the Group's legal title of the property.

16. PLEDGE OF ASSETS

As at 31 March 2018, investment properties with an aggregate carrying amount of HK$98,500,000 (2017: HK$87,800,000) were pledged to a bank to secure general banking facilities granted to the Group. As at 31 March 2018, the Group has available unutilised banking facilities of HK$48,700,000 (2017: HK$57,000,000).

17. GOODWILL

	HK$'000
COST	
At 1 April 2016 and 31 March 2017	–
Arising from acquisition of a business (note 27)	6,454
Exchange realignment	59
At 31 March 2018	6,513

Goodwill of HK$6,454,000 as at 31 March 2018 acquired in business combinations was allocated, at acquisition, to an individual cash-generating unit ("CGU"), comprising a subsidiary in the production and sale of education equipment segment.

The basis of the recoverable amount of the CGU as at 31 March 2018 and their major underlying assumptions are summarised below:

Education equipment business

The recoverable amounts of CGUs are determined from value in use calculations. The value in use calculations is derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management and discount rates. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates a discount rate of 31.0% using a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on expectations of future changes in the market. Management estimates growth rates from 7% to 14% per annum for the first 5-year period and cash flows beyond 5-year period have been extrapolated using growth rates from 2% to 5% per annum, which is based on industry growth forecasts. The directors of the Company considered no impairment loss is necessary as at 31 March 2018.

18. INTANGIBLE ASSETS

	Design patents HK$'000
COST	
At 1 April 2016 and 31 March 2017	–
Arising from acquisition of a business (note 27)	30,150
Exchange realignment	279
At 31 March 2018	30,429
AMORTISATION	
At 1 April 2016 and 31 March 2017	–
Provided for the year	243
Exchange realignment	11
At 31 March 2018	254
CARRYING VALUE	
At 31 March 2018	30,175
At 31 March 2017	–

The design patents were purchased as part of the acquisition of a business during the year ended 31 March 2018 and was recognised at their fair value at the date of acquisition, details of which are set out in note 27 to the consolidated financial statements.

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2018 HK$'000	2017 HK$'000
Unlisted investments in Hong Kong, at fair value	13,264	13,691

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSET (continued)

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

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

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

The investments in the Sub-Fund are classified as available-for-sale financial asset and are measured at fair value on a recurring basis at the end of each reporting period. As at 31 March 2018, the fair value of the available-for-sale financial asset of approximately HK$13,264,000 (2017: HK$13,691,000) is determined by reference to the quoted price provided by the issuing financial institution (Level 2 measurement) (note 29(c)).

20. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Finished goods	**236**	–

21. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables	**–**	467
Deposits and prepayments	**683**	467
Value-added tax recoverable	**19,202**	–
	19,885	934

For leasing of properties and production and sale of education equipment, 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 leasing of properties, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

21. TRADE AND OTHER RECEIVABLES (continued)

	2018 HK$'000	2017 HK$'000
Trade debtors aged:		
0 – 60 days	–	467

The trade receivables are past due as at the reporting date for which the Group has not recognised any 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.

22. LOAN AND INTEREST RECEIVABLES

	2018 HK$'000	2017 HK$'000
Fixed-rate loan receivables	12,000	–
Loan interest receivables	80	–
	12,080	–

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

23. BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Cash at banks and in hand	76,386	8,978
Time deposits in books with maturity less than three months	27,475	54,997
	103,861	63,975

Bank balances carry interest at market rates which range from 0.01% to 2.42% (2017: 0.01% to 0.50%) 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:

	2018 HK$'000	2017 HK$'000
United States Dollars ("USD")	40,991	58,112

24. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	563	–
Other payables	1	1
Other taxes payable	12,487	–
Accrued charges	3,877	1,721
Receipt in advance	608	1,057
	17,536	2,779

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

	2018 HK$'000	2017 HK$'000
Within 30 days	563	–

25. DEFERRED TAXATION

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

	Intangible assets HK$'000	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses recognised HK$'000	Total HK$'000
At 1 April 2016	–	–	951	–	951
Charge (credit) to profit or loss	–	–	343	(256)	87
At 31 March 2017	–	–	1,294	(256)	1,038
Charge (credit) to profit or loss	34	2,033	314	(256)	2,125
Arising from acquisition of a business (note 27)	(4,217)	–	–	–	(4,217)
Exchange realignment	1	92	–	–	93
At 31 March 2018	(4,182)	2,125	1,608	(512)	(961)

25. DEFERRED TAXATION (continued)

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

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**4,182**	–
Deferred tax liabilities	**(3,221)**	(1,038)
	961	(1,038)

At 31 March 2018, the Group has unused tax losses of HK$53,150,000 (2017: HK$43,072,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$3,100,000 (2017: HK$1,550,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$50,050,000 (2017: HK$41,522,000) due to the unpredictability of future profit streams. Tax losses amounting to HK$48,799,000 (2017: HK$41,522,000) may be carried forward indefinitely under current tax regulation in Hong Kong. The remaining balance amounting to HK$1,251,000 (2017: Nil) arising from the PRC may be carried forward for five years.

26. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2016, 31 March 2017 and 2018	20,000,000	2,000,000
Issued and fully paid:		
At 1 April 2016, 31 March 2017 and 2018	499,277	49,928

27. ACQUISITION OF A BUSINESS

On 2 November, 2017, Hong Kong Hanhe Education Company Limited ("HK Hanhe"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Mr. Lv Qingdong ("Mr. Lv"), who is an independent third party to the Group, to establish a limited liability company in the PRC, namely 山東啟華教育科技有限公司 ("Qihua"). Under Qihua's Articles of Association, HK Hanhe owns 51% equity interest of Qihua by contributing capital in the form of cash of Renminbi ("RMB") 34,900,000 (approximately HK$43,226,000) and design patents acquired from the spouse of Mr. Lv. ("Mrs. Lv") ("the design patent") as detailed below. Mr. Lv owns 49% equity interest of Qihua by contributing capital by way of injecting a business of production and sale of education equipment including certain software copyrights and utility model patents.

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

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

Capital contribution

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

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

27. ACQUISITION OF A BUSINESS (continued)

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

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

Goodwill arising on acquisition:

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

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

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

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

27. ACQUISITION OF A BUSINESS (continued)

Net cash outflow arising on the acquisition:

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

Included in the profit for the year is loss of HK$1,453,000 attributable to the additional business acquired. Revenue for the year includes HK$458,000 generated from the acquired business.

As there was no separate underlying books and records to record the revenue and profit contributed by the business before the acquisition, the pro forma revenue and profit of the Group had the business been acquired at the beginning of the current year are not presented.

28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes amount due to related companies disclosed in note 32, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company 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, as well as issue of new debts or the redemption of existing debts.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**115,941**	64,442
Available-for-sale financial asset	**13,264**	13,691
	129,205	78,133
Financial liability		
Amortised cost	**476,740**	1

29. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

	2018 **HK$'000**	2017 HK$'000
Assets		
Group entities with operation in Hong Kong		
USD	**15,789**	71,804
Group entities with operation in the PRC		
HK$	**31,129**	–
USD	**38,446**	–
Liabilities		
Group entities with operation in the PRC		
USD	**39,275**	–

29. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

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

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

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the RMB against the relevant foreign currencies. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% (2017: 5%) against the relevant currencies. For a 5% (2017: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the post-tax profit and the balance below would be negative.

	2018	2017
	HK$'000	HK$'000
Group entities in the PRC		
Profit for the year	**1,515**	–

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (see note 22 for details), loan from ultimate holding company (see note 32(a) for details) and loan from an intermediate holding company (see note 32(b) for details). The Group currently does not have an interest rate hedging policy. However, management will monitor interest rate exposure closely and consider for further usage of hedging instruments when the need arise.

The Group is also exposed to cash flow interest rate risk in relation to bank balances as set out in note 23. No sensitivity analysis is presented since the directors of the Company consider that the exposure of cash flow interest rate risk to the Group is limited because of the short maturity of all bank balances.

29. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

As at 31 March 2018, the carrying amount of the respective financial assets of the Group as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk which will cause a financial loss to the Group.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of 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 debt, and loan and interest receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any significant concentration of credit risk.

Liquidity risk

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

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

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

29. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2017 HK$'000
2017							
Other payables	–	1	–	–	–	1	1

(c) Fair value measurements

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

Financial asset	Fair value as at 31.3.2018	Fair value as at 31.3.2017	Fair value hierarchy	Valuation techniques and key inputs
Unlisted investments classified as available-for-sale financial asset in the consolidated statement of financial position	**HK$13,264,000**	HK$13,691,000	Level 2	The fair value was determined with reference to the quoted price provided by the issuing financial institution.

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

30. OPERATING LEASES

The Group as lessee

During the current year, the Group made minimum lease payments under operating leases of HK$168,000 (2017: HK$772,000).

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

	2018	2017
	HK$'000	HK$'000
Within one year	**721**	–
In the second to fifth year inclusive	**1,176**	–
	1,897	–

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

The Group as lessor

Property and carpark rental income earned during the year was approximately HK$7,368,000 (2017: HK$2,628,000) and Nil (2017: HK$991,000) respectively. During the year ended 31 December 2017, the carpark management operation was ceased, further details of which are set out in note 9.

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

	2018	2017
	HK$'000	HK$'000
Within one year	**35,195**	3,803
In the second to fifth year inclusive	**128,341**	4,848
Over five years	**6,393**	–
	169,929	8,651

31. RETIREMENT BENEFIT SCHEME

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

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

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

The total costs charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$125,000 (2017: HK$62,000) represents contributions paid or payable as retirement benefit scheme contributions during the year.

32. RELATED PARTY DISCLOSURES

(a) As at 31 March 2018, a RMB denominated loan from the ultimate holding company of RMB344,000,000 (approximately HK$430,000,000) is unsecured, interest bearing at a fixed rate of 4.75% per annum and repayable on 31 August 2020. Amount due to the ultimate holding company, which included interest expense on the loan amounting to RMB5,521,000 (approximately HK$6,604,000) for the year ended 31 March 2018 (2017: Nil), is unsecured, interest-free and repayable within one year from the end of the reporting period.

(b) As at 31 March 2018, a USD denominated loan from an intermediate holding company of US$5,000,000 (approximately HK$39,000,000) is unsecured, interest bearing at the fixed rate of 4.30% per annum and repayable on 15 December 2020. Amount due to an intermediate holding company, which included interest expense on the loan amounting to US$35,000 (approximately HK$275,000) for the year ended 31 March 2018 (2017: Nil), is unsecured, interest-free and repayable within one year from the end of the reporting period.

(c) Compensation of key management personnel

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

	2018 **HK$'000**	2017 HK$'000
Short-term benefits	**480**	480

As detailed in note 11(a), the emoluments paid to executive and non-executive directors were borne by the ultimate holding company as they are also the directors or employees of the ultimate holding company. There is no reasonable basis to allocate any amount to the Group.

33. SHARE-BASED PAYMENT TRANSACTION

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

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

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

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

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

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

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	**58**	78
Interests in subsidiaries	**255,182**	203,825
	255,240	203,903
Current assets		
Other receivables	**121**	238
Bank balances and cash	**7,253**	59,446
	7,374	59,684
Current liabilities		
Other payables and accrued charges	**2,195**	1,043
Amounts due to subsidiaries	**90,987**	89,942
	93,182	90,985
Net current liabilities	**(85,808)**	(31,301)
	169,432	172,602
Capital and reserves		
Share capital	**49,928**	49,928
Reserves (Note a)	**119,504**	122,674
	169,432	172,602

Note:

(a) Reserves

	Contributed surplus HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	629,209	(504,076)	125,133
Loss and total comprehensive expense for the year	–	(2,459)	(2,459)
At 31 March 2017 and 1 April 2017	629,209	(506,535)	122,674
Loss and total comprehensive expense for the year	–	(3,170)	(3,170)
At 31 March 2018	629,209	(509,705)	119,504

34. 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 a previous group reorganisation in 1997.

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

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

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

35. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2018 and 2017 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		
			2018 %	2017 %	**2018** %	2017 %	
Capital Scope Limited	British Virgin Islands	US$1	**100**	100	**–**	–	Investment holding
Capital Up Holdings Limited	British Virgin Islands	US$1	**100**	100	**–**	–	Investment holding
Classic Charter Limited	Hong Kong	HK$50	**–**	–	**100**	100	Loan financing
Electronics Tomorrow Property Holdings Limited	British Virgin Islands	US$100	**–**	–	**100**	100	Investment holding
Hong Kong Hanhe Education Company Limited*	Hong Kong	HK$1	**–**	–	**100**	–	Investment holding
Issegon Company Limited	Hong Kong	HK$300,000	**–**	–	**100**	100	Property investment and leasing of properties
Leading Sound Limited*	British Virgin Islands	US$1	**100**	–	**–**	–	Investment holding
Prime Concept Development Limited	Hong Kong	HK$1	**100**	100	**–**	–	Investment holding
Qingdao Holdings (Hong Kong) Limited	Hong Kong	HK$1	**100**	100	**–**	–	Investment holding
Royal Asset Investments Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property investment and leasing of properties
青島啟峰科技服務有限公司^	The PRC	HK$30,000,000	**–**	–	**100**	100	Property investment and leasing of properties in the PRC
山東啟華教育科技有限公司#v	The PRC	RMB69,670,000	**–**	–	**51**	–	Production and sale of education equipment

* These companies were incorporated by the Group during the year ended 31 March 2018.

\# This company was established by the Group and Mr. Lv, who injected a business of production and sale of education equipment. Details are set out in note 27.

^ Established in the PRC in the form of wholly foreign-owned enterprise.

v Established in the PRC in the form of sino-foreign enterprise.

35. PRINCIPAL SUBSIDIARIES (continued)

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

During the year ended 31 March 2017, the Group acquired additional 4% equity interest in Classic Charter Limited at an aggregate consideration of HK$16,000 from non-controlling shareholders. The acquisition has been accounted for as an equity transaction. The difference of HK$177,000 between the consideration paid of HK$16,000 and the carrying amount of the attributable non-controlling interests of HK$193,000 acquired had been credited to accumulated losses.

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

Principal activities	Country/place of Incorporation/ establishment	Number of subsidiaries	
		2018	2017
Carpark management	Hong Kong	**–**	1
Others	Hong Kong	**1**	–
	Others	**1**	4
		2	5

35. PRINCIPAL SUBSIDIARIES (continued)

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				HK$'000	HK$'000	**HK$'000**	HK$'000
Qihua	The PRC	**49%**	–	**712**	–	**37,705**	–

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

Qihua

	31.3.2018
	HK$'000
Current assets	44,002
Non-current assets	34,462
Current liabilities	(1,515)
Equity attributable to owners of the Company	37,185
Non-controlling interests of Qihua	37,705

35. PRINCIPAL SUBSIDIARIES (continued)

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

Qihua (continued)

	1.2.2018 to 31.3.2018 HK$'000
Revenue	458
Expenses	1,911
Loss for the period	(1,453)
Loss attributable to owners of the Company	(741)
Loss attributable to the non-controlling interests of Qihua	(712)
Loss for the period	(1,453)
Other comprehensive income attributable to owners of the Company	389
Other comprehensive income attributable to the non-controlling interests of Qihua	374
	763
Total comprehensive expense attributable to owners of the Company	(352)
Total comprehensive expense attributable to the non-controlling interests of Qihua	(338)
Total comprehensive expense for the period	(690)

	1.2.2018 to 31.3.2018 HK$'000
Net cash outflow from operating activities	(25)
Net cash inflow from financing activities	39,223
Net cash inflow	39,198

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Loan from and amount due to ultimate holding company HK$'000	**Loan from and amount due to an intermediate holding company** HK$'000	**Interest payable** HK$'000	**Total** HK$'000
At 1 April 2017	–	–	–	–
Financing cash flows	411,483	39,000	(2)	450,481
Interest expenses	6,604	275	2	6,881
Exchange difference	18,814	–	–	18,814
At 31 March 2018	436,901	39,275	–	476,176

FINANCIAL SUMMARY

	For the year ended 31 March				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Revenue	9,122	7,732	4,660	3,619	**8,406**
Profit (loss) before taxation	631	7,417	(11,300)	5,929	**7,917**
Taxation	134	(223)	(163)	(171)	**(2,812)**
Profit (loss) for the year	765	7,194	(11,463)	5,758	**5,105**
Profit (loss) attributable to:					
Owners of the Company	713	7,192	(11,459)	5,759	**5,817**
Non-controlling interests	52	2	(4)	(1)	**(712)**
	765	7,194	(11,463)	5,758	**5,105**

	As at 31 March				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Total assets	319,661	258,350	247,014	254,667	**792,750**
Total liabilities	(1,903)	(2,429)	(2,556)	(4,756)	**(498,521)**
	317,758	255,921	244,458	249,911	**294,229**
Equity attributable to:					
Owners of the Company	317,562	255,723	244,264	249,911	**256,524**
Non-controlling interests	196	198	194	–	**37,705**
	317,758	255,921	244,458	249,911	**294,229**

SCHEDULE OF PRINCIPAL PROPERTIES

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