中昌國際
ZHONGCHANG INTERNATIONAL

Zhongchang International Holdings Group Limited
中 昌 國 際 控 股 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)
Stock code：859

追求卓越
止于至善

Annual Report 2018

Contents

追求卓越

止于至善

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Wang Junyong *(Chairman)*
Mr. Fan Xuerui
Mr. Sun Meng
Mr. Lai Hing Kwok
(Appointed on 6 September 2018)
Ms. Li Guang
(Appointed on 23 October 2018)

Independent non-executive directors

Mr. Hung Ka Hai Clement
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

COMMITTEES

Audit Committee

Mr. Hung Ka Hai Clement
(Committee Chairman)
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

Nomination Committee

Mr. Liew Fui Kiang
(Committee Chairman)
Mr. Wong Sai Tat
Mr. Fan Xuerui

Remuneration Committee

Mr. Wong Sai Tat
(Committee Chairman)
Mr. Hung Ka Hai Clement
Mr. Fan Xuerui

Executive Committee

Mr. Wang Junyong
(Committee Chairman)
Mr. Fan Xuerui
Mr. Sun Meng
Ms. Li Guang

AUTHORISED REPRESENTATIVES

Mr. Fan Xuerui
Mr. Lee Pui Lam

COMPANY SECRETARY

Mr. Lee Pui Lam

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1711
Tower 2 Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Suite 5, 22/F,
One AIA Financial Center
1 East Denghu Road
Foshan City, Guangdong Province,
The People's Republic of China

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

(In Alphabetical order)

Agricultural Bank of China Limited
Bank of Communications Co., Ltd
Bank of China (Hong Kong) Limited
Bank of Shanghai Co., Limited
Hang Seng Bank Limited
O-Bank Co., Limited

LEGAL ADVISERS

As to Hong Kong law:
Cheung Tong & Rosa Solicitors

As to Bermuda law:
Conyers Dill & Pearman

As to PRC law:
Grandall Law Firm

FINANCIAL ADVISER

Optimal Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE WEBSITE

http://www.zhongchangintl.hk

STOCK CODE

859

Corporate Profile

Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (hereinafter referred to as the "Company", together with its subsidiaries, collectively referred to as the "Group") is principally engaged in property development and property investment.

In December 2017, Sansheng Hongye (Hong Kong) Limited ("Sansheng Hongye") successfully acquired the controlling equity interests in the Company as mentioned in the joint announcement dated 22 December 2017. Sansheng Hongye is wholly owned by Shanghai Sansheng Hongye Investment (Group) Company Limited ("Shanghai Sansheng") which is in turn controlled by Mr. Chen Jianming. Shanghai Sansheng, founded in 1993 and headquartered in Shanghai, is a conglomerate focusing on real estate development in the People's Republic of China (the "PRC") and is one of the best property developers in the PRC in terms of overall strength. Since 2005, Shanghai Sansheng has been awarded "Top 100 China Real Estate Developers" (中國房地產百强企業) in successive 14 years, along with "Top 10 Profitability" and "Top 10 Operation Efficiency". In 2018, Shanghai Sansheng has been selected and ranked the 54th as the Top 100 China Real Estate Developers jointly announced by Enterprise Research Institute of Development Research Center of the State Council of PRC (國務院發展研究中心企業研究所), the Institute of Real Estate Studies of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院).

After the change of control in December 2017, the Group has to continued consolidate and strengthen its existing investment properties business in Hong Kong while simultaneously seeking new opportunities in the real estate sector to broaden its source of revenue and earning base. Combining the experience of the Group in the property investment sector in Hong Kong and the network and connection of Sansheng Hongye (the controlling shareholder) in the PRC, the Group intends to expand its business in the PRC initially in the Guangdong-Hong Kong-Macao Bay Area and Yangtze River Delta Area. The Group will seek investment opportunities in property investment, management and development businesses which the board of Directors (the "Board") considers to be with good development prospects to create value for the Company and the shareholders of the Company (the "Shareholders"). A special resolution was passed at the Company's special general meeting ("SGM") held on 24 May 2018, pursuant to which, the Company adopts Zhongchang International Holdings Group Limited as its new company name to replace "Henry Group Holdings Limited". The change of name did not only renew the corporate image of the Company following the change in control of the Company, but also better reflect the principal business development and strategic direction of the Group as described above.

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I present the audited annual results of the Company and its subsidiaries (the "Group") for the nine months period from 1 April 2018 to 31 December 2018 (the "Reporting Period").

During the Reporting Period and particularly in the second half of 2018, the global economy had been volatile due to (i) the US interest rate hikes; (ii) the escalating trade tensions between the US and the PRC; (iii) the depreciation of the Renminbi against the US dollar; and (iv) the growing possibility of Brexit. In contrast, the PRC economy remained on track and manageable and the PRC government had taken a supportive policy to encourage internal consumption in order to encounter the effects of the trade dispute between the US and the PRC, such as reduction in the bank's reserve requirement ratios to increase money supply in financial system.

Led by a satisfactory level of local consumption and a rising visitor arrivals, overall retail market in Hong Kong demonstrated a modest improvement during the Reporting Period. It is expected that the retail market in Hong Kong will continue to record a strong demand as supported by the rising household income and a consistently low unemployment rate. Benefiting from the strong retail demand resulted from the recovery of retail market in Hong Kong, the Group was able to lease out most of its investment properties by renewals of the existing lease contracts and entered into new lease contracts during the Reporting Period.

We believe the prospect of the Hong Kong economy will remain positive as it plays a greater role in the development of the Belt and Road Initiative and Greater Bay Area as well as various strategic infrastructure projects, such as Hong Kong Zhuhai-Macau Bridge which connects Zhuhai with Hong Kong and Macau to form a tourism hub offering sightseeing, gaming and theme parks. The Group will continue to consolidate and strengthen its investment property portfolio with a view to enhancing the Group's profitability.

During the Reporting Period, the Group expanded into the property project management business in the PRC, and recently invested in two property development projects in the PRC. In view of the stable economy in the PRC, we are positive about the prospect of the property market in the PRC and will continue to identify property investment opportunities in the Greater Bay Area and the Yangtze River Delta Area by ways of acquisitions, public tenders and cooperation with other parties.

Finally, I would like to express my sincere gratitude to all fellow directors and staff for their dedication and contribution, and to the Shareholders and business partners for their support.

WANG Junyong
Chairman and Executive Director

Hong Kong, 22 March 2019

REVIEW OF OPERATIONS

In December 2017, Sansheng Hongye became the controlling shareholder of the Company and since then, the Group has continued to consolidate and strengthen its investment property portfolio in Hong Kong while simultaneously seeking new opportunities in the real estate sector in the PRC to broaden its source of revenue and earnings base by leveraging on the controlling shareholder's successful experience and brand recognition in the PRC. In particular, the Group expanded into the property project management business by entering into the Project Management Master Agreement in October 2018. In December 2018 and February 2019, the Group entered into agreements to acquire a 100% interest in a property development project in Zhenjiang (the "Zhenjiang Acquisition") and a non-controlling interest of a property development project (the "Jinhua Acquisition") in Jinhua City the PRC respectively from Sanshenghongye (BVI) Holdings Limited ("Sansheng BVI"), a wholly-owned subsidiary of Sansheng Hongye. The Zhenjiang Acquisition was completed in March 2019 while the Jinhua Acquisition is expected to complete by April 2019. Please refer to the disclosures below for detailed information.

During the Reporting Period, the Group's investment properties recorded an occupancy rate of 100% and increase in average rental price compared to last financial year. The steady rental income contributed a significant portion to the Group's revenue, while the provision of property project management services enabled the Group to enlarge its revenue base. The Group will continue to consolidate and strengthen its investment property portfolio and at the same time proactively promote the property project management business with a view to enhancing the Group's profitability.

Property leasing business

Benefiting from the improved retail market sentiment, the investment property portfolio of the Group recorded a strong rental demand and committed an occupancy rates of 100%. During the Reporting Period, the Group recorded gross rental income from investment properties amounted to approximately HK$29.0 million as compared to approximately HK$47.2 million for the full year in last financial year. The decrease was mainly due to (i) the disposals of two investment properties in 2017; and (ii) the current Reporting Period covered a nine-month period only. Jardine Center, being the core investment properties of the Group which contributed approximately 77.5% of the total rental revenue of the Group for the Reporting Period.

Set out below is a table summarising the valuation and revenue contribution of the investment properties portfolio of the Group for the Reporting Period.

	Valuation of investment properties as at 31 December 2018 HK$'000	Revenue from 1 April 2018 to 31 December 2018 HK$'000	Revenue for the year ended 31 March 2018 HK$'000	Changes %
Causeway Bay				
Jardine Center, No. 50 Jardine's Bazaar	**1,500,000**	**22,438**	27,359	(18.0)
Ground Floor and Cockloft Floor, No. 38 Jardine's Bazaar	**103,000**	**1,753**	2,274	(22.9)
First Floor, Nos. 38 and 40 Jardine's Bazaar	**14,700**	**262**	384	(31.8)
Ground Floor including Cockloft, No. 41 Jardine's Bazaar	**137,000**	**1,948**	2,532	(23.1)
Ground Floor, No. 57 Jardine's Bazaar	**140,000**	**2,307**	3,192	(27.7)
Mid-levels West				
Shop No. 1 on Ground Floor of K.K. Mansion, Nos. 119, 121, 125 Caine Road	**52,000**	**247**	–	N/A
Sub-total	**1,946,700**	**28,955**	35,741	(19.0)
Disposed properties				
L'hart, No.487-489 Lockhart Road, Causeway Bay	**–**	**–**	10,692	(100.0)
House No. 12, Villa Bel-Air, Bel-Air on the Peak	**–**	**–**	808	(100.0)
Total	**1,946,700**	**28,955**	47,241	(38.7)

The valuation of the investment properties of the Group amounted to HK$1,946.7 million as at 31 December 2018 (31 March 2018: HK$1,927.5 million). Unrealized fair value gains on investment properties amounted to HK$19.2 million (31 March 2018: HK$20.5 million). The increase in the valuation was mainly due to (i) recovery of the retail market in Hong Kong; (ii) the prime locations of the Group's investment properties (majority of which are located at the centre of Causeway Bay); and (iii) the properties are with committed rent rolls and a solid and healthy tenant mix.

Thanks to our loyal tenants collaborating with us to build up the retail portfolio which has proven with great success by the increasing popularity of Jardine Center via various online platforms (such as Openrice, Eat and Travel Weekly, Eatigo, etc.) among local Hong Kongers and tourists. The Group strives to refine and curate its tenant mix, by understanding and fulfilling our valued tenant's and consumer's needs. In turn, we aim at accommodating the various business operators to create a sustainable community in the city. The composition of our tenants' trade diversity is being well optimized in the proportion of 30% beauty and healthy service, 50% celebrated Asian delicacies and 20% retail of mid-priced to affordable items retailers, including women fashion, grocery, pharmacies, health and personal care products as well as cosmetics. For the retail-tenants category, the Group newly recruited a best-known one-stop personal care and healthy store brand – Watsons which has been operating at our property located at Shop No.1 on Ground Floor of K.K. Mansion, Nos 119, 121 & 125 Caine Road since the end of October 2018. For the food and beverage tenant category, Jardine Center clusters various celebrated Asian delicacies, such as Chinese Sichuan-style hot pot (Xiao Yu Hotpot Restaurant, Chili Party), Japanese Top-ranked Omakase (Maizuru, Tenzen) and Meat Cuisine Hiro as well as Korean cuisine (Hungry Korean). The rising importance of self-image and increasing health-conscious population have driven the rapid expansion of beauty service market in Hong Kong. Our Jardine Center gross floor area of about 2,000 sq. ft. above ground floor were able to ride on this opportunity of high demand from traditional beauty service operators targeting mid-to-high level consumer, for example, the Group entered into new lease contracts with certain well-established beauty services tenants such as Kan's Beauty, Hygge Spa and Victorica Medical Beauty during the Reporting Period.

The following are the Group's investment properties located in Causeway Bay

Property Project Management business

As disclosed in the announcement of the Company dated 21 August 2018 and the circular of the Company dated 13 September 2018, the Group started to engage in property project management business by entering into the Project Management Master Agreement. Pursuant to the Project Management Master Agreement, 佛山銘舟工程管理諮詢有限公司 ("Mingzhou Consultancy") and its subsidiaries may enter into individual project management agreement to provide project management services for the real estate projects in the PRC owned and developed by Shanghai Sansheng and its subsidiaries. To prepare for that, Mingzhou Consultancy recruited a professional team with relevant qualifications and expertise and set up an office in Guangzhou, the PRC. The Board is of the view that the real estate project management business in the PRC has a positive prospect and will enable the Group to achieve better growth potential and broaden its source of revenue by capturing this opportunity. In October 2018, the Group commenced the project management business in respect of four real estate projects located in Foshan, Jiangmen and Huizhou, the PRC. During the Reporting Period, the Group recorded income for provision of property project management services of approximately HK$3.8 million (for the year ended 31 March 2018: Nil).

Property Development Business

The Zhenjiang Acquisition

As disclosed in the announcement of the Company dated 9 December 2018 and the circular of the Company dated 10 January 2019, the Group entered into an agreement with Sanshenghongye (BVI) Holdings Limited ("Sansheng BVI") to acquire the entire issued capital of High Morality Limited, which indirectly holds a land located in Zhenjiang City, Jiangsu Province, the PRC at a consideration of approximately RMB194.9 million.

The land is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai. Adjacent to community resources such as academic institutions, municipal offices, ecological parks, shopping malls and a hospital, the land is situated at the high-end residential district in Zhenjiang City and is planned to be developed into a mixed-used residential and commercial development in three phases with total gross floor area of about 160,000 sq.m., including residential area of about 151,400 sq.m., commercial area of about 3,900 sq.m. and education area of about 2,400 sq.m.. Development of Phase I of the project commenced in March 2019 and is expected to complete by March 2021, development of Phase II of the project commenced in April 2019 and complete in June 2021 and development of Phase III of the project is expected to commence in June 2019 and complete by September 2021. Following completion of the Zhenjiang Acquisition in March 2019, the Group commenced Phase I development of the land and consider it as the core development project of the Group.

The Directors are positive about the prospects of the property market in Zhenjiang City and expect the Zhenjiang Acquisition can generate satisfactory return to the Group and the Shareholder as a whole.

The Jinhua Acquisition

As disclosed in the announcements of the Company dated 4 February 2019 and 7 March 2019 and the circular of the Company dated 8 March 2019, the Group entered into an agreement with Sansheng BVI to acquire (i) a 49% of the issued share capital of Yitai International (BVI) Holdings Ltd (the "Target"), a company holds an indirect interest of 99% in a project company which in turn holds a land in Jinhua City, Zhejiang Province, the PRC; and (ii) a loan in the principal amount of RMB48.51 million owed by a subsidiary of the Target from Sansheng BVI's related party at a consideration of approximately RMB255.6 million.

The land is being developed into a mixed-use residential and commercial development under the brandname of “頤景園” in two phases with a total gross floor area of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m.. Development of Phase I of the project commenced in April 2018 and is expected to complete by end of 2020, while development of Phase II of the project commenced in mid 2018 and is expected to complete by early 2021. Pre-sale of Phase I of the project was launched in July 2018 and was well received by the market. These contracted sales will be recognised by the Target as revenue in 2020 upon completion of development of Phase I of the project. Pre-sale of Phase II of the Project is expected to be launched in the first quarter of 2019 and further revenue is expected to be recognised therefrom by the Target in early 2021 upon completion of development of Phase II.

In light that the project was well received by the market, the Directors consider the return from the Jinhua Acquisition will be quick and promising, which allows the Group to fill the gap before the investment return from the Zhenjiang Acquisition can be realised.

PROSPECTS

Looking forward to 2019, the international and local markets are expected to be cloudy due to uncertainties such as the US interest rate hike, volatile stock markets, weak RMB and escalating trade tension between the US and the PRC. The Group is aware of the challenges ahead and will closely monitor the global market. In spite of the above, the market expects the PRC’s real GDP growth rate can still be 6% in 2019. It is expected that the PRC government will continuously put efforts on “seek progress while maintaining stability” strategy to ensure a steady growth.

The Group is positive about its business development in 2019. In particular, the core property leasing business will be supported by increasing tourists brought by Guangzhou-Shenzhen-Hong Kong Express Rail Link. The Greater Bay Area development plan announced earlier also lifts up Hong Kong’s growth and attracts larger tourist flows from the neighbouring cities to Hong Kong. Regarding the Group’s expansion of its coverage into the PRC, the recent reviving of the real estate market proved that the Group’s strategic entry into the PRC market was a successful move. It is expected that the PRC real estate market can be further supported by favourable policies towards real estate sector, especially for first-home buyers in cities.

In 2019, the Group will build on its strengths and explore new growth drivers. The Group aims to optimally allocate resources into its existing robust operations and new businesses for the continued prosperity and growth of the Group. The Group will continue to evaluate investment opportunities in different property projects with a view to optimising the Group’s property project portfolio strengthening its investment property portfolio and maximising returns. The primary focus of the Group is to identify property investment opportunities in the Greater Bay Area and the Yangtze River Delta Area by way of acquisitions, public tenders and cooperation with other parties.

FINANCIAL REVIEW

The Group’s revenue for the nine months ended 31 December 2018 was approximately HK$32.8 million (year ended 31 March 2018: approximately HK$47.2 million). It comprised of (i) gross rental income from investment properties; and (ii) property project management services. The decrease in revenue was primarily attributable to the adverse effect of disposal of two investment properties and shorter Reporting Period for only nine months.

Other gains and losses for the period increased by approximately HK$4.4 million to approximately HK$4.2 million (year ended 31 March 2018: other losses of approximately HK$169,000). The increase was mainly due to (i) an increase in bank interest income; and (ii) a fair value gain on derivative financial instruments recognised during the period.

Staff cost comprised salaries, directors' fees and retirement benefit costs. During the period, the staff cost decreased by approximately 45.4% was due to the reduction in directors' remuneration.

The composition of other operating expenses by nature mainly classified as follows:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Investment properties operating costs	**2,700**	5,338
Corporate compliance professional fees	**5,439**	7,174
General administrative costs	**2,629**	6,798
	10,768	19,310

Investment properties operating costs mainly comprised of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. The decrease in such costs was due to the disposal of two investment properties during the year ended 31 March 2018.

Corporate compliance professional fees incurred for the period mainly related to the major corporate events including (i) change of company name announced on 29 June 2018; (ii) new bank borrowings raised and announced on 15 June 2018; and (iii) continuing connected transaction regarding Project Management Master Agreement announced on 21 August 2018.

As at 31 December 2018, the investment properties of the Group were revalued at HK$1,946.7 million (31 March 2018; HK$1,927.5 million) by an independent professional valuer. During the period, fair value gains on investment properties of HK$19.2 million was recognised in the statement of profit or loss and other comprehensive income.

Finance costs for the Reporting Period was decreased by approximately 15.7% to approximately HK$18.3 million (year ended 31 March 2018: approximately HK$21.7 million). The decrease was primarily attributable to (i) reduction of effective interest expenses on convertible notes after substantial conversion made in the last financial year; and (ii) reduction of bank loan arrangement fees during the Reporting Period.

Net profit attributable to owners of the Company was approximately HK$17.3 million (year ended 31 March 2018: approximately HK$20.7 million), representing a decrease of approximately HK$3.4 million as compared with those of year ended 31 March 2018. The decrease in net profit was primarily due to a shorter Reporting Period for only nine months comparing to a full year of last financial year.

Liquidity and Financial Resources

The Group mainly finances its business operations with its internal resources and bank borrowings. As at 31 December 2018, the Group had cash and bank balances (including bank deposits) of approximately HK$1,015.0 million (31 March 2018: approximately HK$749.2 million), of which approximately 44.1% were deposited with banks in Hong Kong and the remaining of approximately 55.9% were deposited with banks in the PRC. The increase in cash and bank balances was mainly attributable to the increase in bank borrowings of approximately HK$287.0 million during the period. The Group's cash and bank balances were deposited in Hong Kong Dollars ("HKD") and Renminbi ("RMB") which mainly were preserved in risk-free bank deposits to maintain highly liquidity financial resources available for facilitating future investment activities and acquisitions when opportunities arise.

As at 31 December 2018, the Group's bank borrowings of approximately HK$839.9 million (31 March 2018: HK$570 million) all denominated in HKD and carry interest at Hong Kong Interbank Offer Rate (HIBOR) plus a margin with maturity profile set out as follows:

	As at 31 December 2018 HK$'000	As at 31 March 2018 HK$'000
Repayable		
Within one year	**25,710**	17,100
Within a period of more than one year but within two years	**25,710**	17,100
Within a period of more than two years but within five years	**788,450**	535,800
	839,870	570,000

The Group's gearing ratio as at 31 December 2018, which is calculated on the basis of total liabilities over total assets, was approximately 29.5% (31 March 2018: approximately 22.5%) whilst the current ratio of the Group which expressed a ratio of current assets over current liabilities as at 31 December 2018, was approximately 29.0 (31 March 2018: approximately 29.0). The Group will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet its funding requirements.

Capital Structure

As at 31 December 2018, the issued share capital of the Company was 1,125,027,072 shares. During the Reporting Period, there was no movement of the issued share capital of the Company.

As at 31 December 2018, the audited net assets amounted to approximately HK$2,096.3 million (31 March 2018: approximately HK$2,079.1 million), representing an increase of approximately 0.8%. With the total number of 1,125,027,072 ordinary shares in issue as at 31 December 2018, the net assets value per share was approximately HK$1.86 (as at 31 March 2018: approximately HK$1.85).

Treasury Policy

The Group's transactions and its monetary assets are principally denominated in HKD and RMB. The Group regularly reviews its major funding positions to assure that it has adequate financial resources in meeting its financial obligations.

DIVIDEND

The Company had a policy in deciding whether to propose a dividend after taking into account factors such as financial performance, working capital requirement and external economic conditions. The Directors do not recommend any dividend for the nine months ended 31 December 2018 (for the year ended 31 March 2018: Nil).

CORPORATE GUARANTEE

As at 31 December 2018, the Company provided corporate guarantee of HK$857,000,000 (31 March 2018: HK$570,000,000) which given to a bank for securing banking facilities granted to its subsidiaries.

CHARGES ON GROUP ASSETS

As at 31 December 2018, the Group had pledged the following assets:

1. Legal charges ever certain investment properties in Hong Kong with an aggregate carrying amount of HK$1,655,000,000 (31 March 2018: HK$1,763,000,000) for securing certain bank borrowings granted from several banks to its wholly-owned subsidiaries;

2. Share mortgage of several subsidiaries for securing their respective bank borrowings; and

3. Rent assignments in respect of the investment properties held by the Group.

CONTINGENT LIABILITIES

Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited signed between the Company, Rose City Group Limited (the "Vendor") and Prime Magic Holdings Limited (the "Purchaser") on 13 July 2017, the Company acts as guarantor in favour of the Purchaser for the disposal of entire issued share capital of Seedtime International Limited, which was completed on 13 December 2017.

The Company irrevocably and unconditionally guarantees to the Purchaser the due and punctual observance and performance by the Vendor of all its obligations undertaken in the agreement and the Vendor's warranties; and undertakes that if for any reason the Vendor fails to observe or perform any of such obligations and/or is in breach of any Vendor's warranties, it shall on demand observe or perform or procure the Vendor to observe or perform the same in respect of which the Vendor shall be in default and make good to the Purchaser and indemnify and hold harmless the Purchaser against all reasonable losses, damages, costs and expenses arising or incurred by the Purchaser as a result of such non-observance or non-performance.

As at 31 December 2018, there was no relevant claims reported.

Save as disclosed aforesaid, the Group did not have any significant contingent liabilities as at 31 December 2018.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 30 employees. The Group offers its employees competitive remuneration packages which commensurate with their performances, experiences and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

Report of the Directors

The directors of the Company (the "Directors") are pleased to present their annual report together with the audited consolidated financial statements of the Group for the nine months ended 31 December 2018.

CHANGE OF COMPANY NAME

Following the passing of a special resolution at the SGM of the Company held on 24 May 2018, the English name of the Company was changed from "Henry Group Holdings Limited" to "Zhongchang International Holdings Group Limited" and "中昌國際控股集團有限公司" was adopted to replace its existing secondary name in Chinese "鎮科集團控股有限公司". The change of company name was effected in June 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements. The business review of the Group for the nine months ended 31 December 2018 as well as further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance (except for the principal risks and uncertainties facing the Group set out on page 21), are set out in the section headed "Management Discussion and Analysis" on pages 5 to 13, the section headed "Investors' Relations and Communication with Shareholders" under Corporate Governance Report on page 40 and the "Environmental, Social and Governance Report" on pages 42 to 62 of this Annual Report, which form part of this Directors' report.

FINANCIAL STATEMENTS

The results of the Group for the nine months ended 31 December 2018 and the state of the Company's and the Group's affairs as at 31 December 2018 are set out in the consolidated financial statements from pages 67 to 148.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the Directors passed on 23 April 2018, the financial year end date of the Company has been changed from 31 March to 31 December effective from 31 December 2018 in order to align the financial year end date of the Company with Shanghai Sansheng, the ultimate holding company of the Company's controlling shareholder. Details regarding change of financial year end date are disclosed in the Company's announcement dated 23 April 2018.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the annual general meeting ("AGM")

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019 (both dates inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Monday, 20 May 2019.

INVESTMENT PROPERTIES

The Group's investment properties as at 31 December 2018 were revalued by an independent firm of professional properties valuers using income capitalisation approach and direct comparison approach. Details of movements in the investment properties of the Group during the period are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the period are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company and the issue of shares made by the Company during the period are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing Shareholders.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 December 2018.

CONVERTIBLE NOTES

The Company issued the convertible notes in December 2015 (the "Convertible Notes"). Details of the issue and movements in the Convertible Notes during the period are set out in note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the period or subsisted at the end of the period.

RESERVES

Movements in reserves of the Group and the Company during the period are set out on pages 69 and 148 of this annual report respectively.

As at 31 December 2018, the Company's reserve available for distribution to Shareholders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted of approximately HK$91,533,000 (31 March 2018: approximately HK$93,442,000).

SHARE OPTION SCHEMES

Particulars of the share option schemes, share options granted and movement during the period are set out in note 30 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties held by the Group are set out on page 150.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 149 of this annual report.

DIRECTORS

The Directors during the Reporting Period and subsequent to the end of Reporting Period were:

Executive Directors

Mr. Wang Junyong	
Mr. Fan Xuerui	
Mr. Sun Meng	
Mr. Sun Feng	(resigned on 23 October 2018)
Mr. Lai Hing Kwok	(appointed on 6 September 2018)
Ms. Li Guang	(appointed on 23 October 2018)

Independent non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

In accordance with the Company's Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Wang Junyong, Mr. Sun Meng, Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat will retire from office at the forthcoming AGM and being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management as at the date of this report are set out on pages 24 to 27 of this annual report.

CHANGE OF DIRECTORS' INFORMATION

Change in information on Directors since the date of the Interim Report 2018 of the Company and up to the date of this annual report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Hung Ka Hai Clement, an independent non-executive Director of the Company, resigned as an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited (stock code: 112)) with effect from 30 September 2018 and resigned as a non-executive director of SMI Holdings Group Limited (stock code: 198) with effect from 28 February 2019.

Mr. Liew Fui Kiang, an independent non-executive Director of the Company, resigned as the chairman and an executive director of PacRay International Holdings Limited (stock code: 1010) with effect from 15 January 2019.

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

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

On 20 March 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$570 million. On 15 June 2018, Top Bright Properties Limited entered into a supplemental agreement with a financial institution for a term loan facility in the principal amount of HK$212 million.

On 15 June 2018, each of Smart Land Properties Limited and Pioneer Delight Limited, both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$50 million and HK$25 million respectively.

Pursuant to the terms of the aforesaid loan agreements, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

DIRECTORS' SERVICE CONTRACTS

Upon the appointments of four executive Directors with effect from 12 January 2018, each of Mr. Wang Junyong, Mr. Fan Xuerui, Mr. Sun Meng and Mr. Sun Feng has entered into their respective service contracts with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Upon the appointments of three independent non-executive Directors with effect from 12 January 2018, each of Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat has also entered into their respective appointment letters with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive).

Upon the appointment of Mr. Lai Hing Kwok as an executive director with effect from 6 September 2018, Mr. Lai Hing Kwok has also entered into a service contract with the Company for an initial terms of three years from 6 September 2018 to 5 September 2021 (both dates inclusive).

Upon the appointment of Ms. Li Guang as an executive director with effect from 23 October 2018, Ms. Li Guang has entered into a service contract with the Company for an initial terms of three years from 23 October 2018 to 22 October 2021 (both dates inclusive).

No Director who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company, its holding companies, any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS' on page 19 of this annual report, at no time during the nine months ended 31 December 2018 were rights to acquire benefits by means of the acquisitions of shares, or underlying shares in, or debenture of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There was no competing business of which a Director of the Company had an interest which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the nine months ended 31 December 2018 and for the year ended 31 March 2018, no revenue from customers with whom transactions in aggregate have exceeded 10% of the Group's revenue during period/the year.

For the nine months ended 31 December 2018 and for the year ended 31 March 2018, the Group did not have any suppliers because no cost of sales was recorded.

None of the Directors, their close associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interests in any major customers or suppliers noted above.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 December 2018, Shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange were as follows:

		As at 31 December 2018 (1)	
Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)	Approximate percentage of issued share capital of the Company (Note 1)
Sansheng Hongye	Beneficial owner	L – 857,301,457(2) S – 857,301,457(3)	76.20% 76.20%
Shanghai Sansheng Hongye Investment (Group) Company Ltd. (4)	Interest of Controlled Corporate	L – 857,301,457(2) S – 857,301,457(3)	76.20% 76.20%
Chen Jianming (4)	Interest of Controlled Corporate	L – 857,301,457(2) S – 857,301,457(3)	76.20% 76.20%
Chen Yanhong (4)	Interest of spouse	L – 857,301,457(2) S – 857,301,457(3)	76.20% 76.20%
Bank of Communications Co., Ltd (8)	Interest of Controlled Corporate	L – 857,301,457(5)	76.20%
DCP China Credit Fund I, L.P. (9)	Interest of Controlled Corporate	L – 857,301,457(5)(6)	76.20%
Dignari Capital Partners GP Limited (9)	Interest of Controlled Corporate	L – 857,301,457(5)(6)	76.20%
Tan Mei Zie Grace (9)	Interest of Controlled Corporate	L – 857,301,457(5)(6)	76.20%
Stella Sino Limited (10)	Interest of Controlled Corporate	L – 857,301,457(5)(7)	76.20%
Gao Bin (10)	Interest of Controlled Corporate	L – 857,301,457(5)(7)	76.20%

Notes:

(1) Based on 1,125,027,072 Shares in issue as at 31 December 2018.

(2) Sansheng Hongye held 843,585,747 Shares and a convertible note in the principal amount of HK$11,000,000 which is convertible into 13,715,710 Shares.

(3) The Company was notified that Sansheng Hongye had a short position of 48,770,971 underlying Shares pursuant to unlisted physically settled equity derivatives as a result of the call options granted by Sansheng Hongye. Sansheng Hongye also held a short position over 857,301,457 underlying Shares pursuant to physically settled unlisted equity derivatives.

(4) Shanghai Sansheng Hongye Investment (Group) Company Ltd. ("Shanghai Sansheng") controlled 100% of the voting power of Sansheng Hongye, and Mr. Chen Jianming controlled 76.93% of the voting power of Shanghai Sansheng. Accordingly, both Shanghai Sansheng and Mr. Chen Jianming were deemed to be interested in the Shares and underlying Shares held by Sansheng Hongye. Ms. Chen Yanhong, as the spouse of Mr. Chen Jianming, was deemed to be interested in the Shares and underlying shares which Mr. Chen Jianming was interested in.

(5) Sansheng Hongye pledged 843,585,747 Shares and a convertible note in the principal amount of HK$11,000,000 which is convertible into 13,715,710 Shares in favour of BOCOM International Universal Investment Limited (as security agent for itself, Dragons 616 Limited and Star Sino Developments Limited).

(6) DCP China Credit Fund I, L.P., Dignari Capital Partners GP Limited and Stella Sino Limited are interested in 857,301,457 Shares and/or underlying Shares, among which there are interests in 34,139,680 underlying Shares pursuant to physically settled unlisted derivatives and interests in 13,715,710 underlying Shares pursuant to unlisted derivatives - convertible instruments.

(7) Stella Sino Limited and Gao Bin are interested in 857,301,457 Shares and/or underlying Shares, among which there are interests in 14,631,291 underlying Shares pursuant to physically settled unlisted derivatives and interests in 13,715,710 underlying Shares pursuant to unlisted derivatives - convertible instruments.

(8) Bank of Communications Co., Ltd controlled 100% of Bank of Communications (Nomiee) Company Limited, which controlled 100% of BOCOM International Holdings Company Limited, and BOCOM International Holdings Company Limited controlled 100% of BOCOM International Universal Investment Limited.

(9) DCP China Credit Fund I, L.P. controlled 100% of Dragons 616 Limited, whilst DCP China Credit Fund I, L.P. was controlled by Dignari Capital Partners GP Limited, and Tan Mei Zie Grace controlled 99% of Dignari Capital Partners GP Limited.

(10) Stella Sino Limited controlled 100% of Star Sino Developments Limited, and Gao Bin controlled 100% of Stella Sino Limited.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

* *for identification purpose only*

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 30 to the consolidated financial statements.

As at 31 December 2018, there was no outstanding share option under the share option scheme.

Apart from the foregoing, at no time during the period was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement 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.

DIRECTORS' INDEMNITIES

In accordance with the bye-law 166(1) of the Bye-laws, every director and other officers of the Company shall 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 sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Such permitted indemnity provisions have been in force throughout the period under review and is currently in force at the time of approval of this report.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could affect the Group's business model, future performance and solvency which are considered by the Board on a regular basis. The Board, through Audit Committee by establishing and maintaining the Group's internal control system and risk management process to monitor significant risks in order to achieve the Group's strategic objectives and missions. Additional information on the Group's risk management and internal control is set out in the Corporate Governance Report. The key major risks affecting the Group's business are as follows:

Economic and Financial Risk

The Group's major assets are investment properties located in Hong Kong which contributed the Group's revenue and results of operations, accordingly, they are exposed to the risk of uncertain and/or negative performance of Hong Kong economics, and financial and property markets, either directly or indirectly through restrictions in the availability of credit from the Group's bankers and the Group's investment properties – tenants in terms of reduction in rental income and occupancy. Such adverse impact in effect might reduce the Group's rental revenue, increase finance cost and decrease fair value of the Group's investment properties and net asset values. During the Reporting Period, the Group commenced a new business segment – property project management services in the PRC to diversify the economic risk.

Regulatory Risk

The Group is subject to the introduction of new laws, policies or regulations, changes in the interpretation or application of new laws, policies and regulations applicable to the Group.

During the nine months ended 31 December 2018, as far as the Company is aware, there was no material breach or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing rules throughout the nine months ended 31 December 2018.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group had the following connected transactions and continuing connected transactions under the Listing Rules:

Major and connected transaction in relation to acquisition of a property development project ("Zhenjiang Acquisition")

As disclosed in the announcement of the Company dated 9 December 2018 and the circular of the Company dated 10 January 2019, the Group entered into an agreement with Sanshenghongye (BVI) Holdings Limited ("**Sansheng BVI**") to acquire the entire issued capital of High Morality Limited, which indirectly holds a land located in Zhenjiang City, Jiangsu Province, the PRC at a consideration of approximately RMB194.9 million. The land is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai. Adjacent to community resources such as academic institutions, municipal offices, ecological parks, shopping malls and a hospital, the land is situated at the high-end residential district in Zhenjiang City and is planned to be developed into a mixed-used residential and commercial development in three phases with total gross floor area of about 160,000 sq.m.. The Zhenjiang Acquisition was approved by independent shareholders of the Company at a SGM held on 30 January 2019. The Zhenjiang Acquisition completed in March 2019. Full details of the Zhenjiang Acquisition was disclosed in the Company's announcement dated 9 December 2018 and the Company's circular dated 10 January 2019.

Continuing connected transactions in relation to Project Management Master Agreement

On 21 August 2018, Mingzhou Consultancy (an indirect wholly-owned subsidiary of the Company) and Shanghai Sansheng entered into the project management master agreement (the "Project Management Master Agreement"), pursuant to which Mingzhou Consultancy and Shanghai Sansheng agreed that members of the Mingzhou Consultancy Group and members of the Shanghai Sansheng Group may enter into individual project management agreement(s) regarding provision of project management services by the relevant members of Mingzhou Consultancy Group for real estate projects in the PRC owned and developed by the relevant members of the Shanghai Sansheng Group, subject to the terms of the Project Management Master Agreement. The Project Management Master Agreement was approved by independent shareholders of the Company at a SGM held on 24 August 2018. For details of the transactions, please refer to the Company's announcement dated 21 August 2018 and the Company's circular dated 13 September 2018.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions contemplated under the Project Management Master Agreement mentioned above and have confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the terms of the Project Management Master Agreement governing such transactions, which are fair and reasonable and in the interests of the Shareholders as a whole.

HLB Hodgson Impey Cheng Limited ("HLB"), the auditors of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. For the propose to Rule 14A.56 of the Listing Rules, HLB has provided a letter to the board of Directors, confirmed that nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the board of Directors; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with relevant agreements governing the transactions; and (iv) have exceeded the annual cap. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcements of the Company dated 4 February 2019 and 7 March 2019 and the circular of the Company dated 8 March 2019, the Group entered into an agreement with Sansheng BVI to acquire (i) a 49% of the issued share capital of Yitai International (BVI) Holdings Ltd (the "Target"), a company holds an indirect interest of 99% in a project company which in turn holds a land in Jinhua City, Zhejiang Province, the PRC; and (ii) a loan in the principal amount of RMB48.51 million owed by a subsidiary of the Target from Sansheng BVI's related party at a consideration of approximately RMB255.6 million. The land is being developed into a mixed-use residential and commercial development under the brandname of "頤景園" in two phases with a total gross floor area of approximately 337,530 sq.m.. The acquisition completed in April 2019.

AUDITORS

The consolidated financial statements for the period from 1 April 2018 to 31 December 2018 were audited by HLB whose term of office will expire upon the forthcoming AGM, and who, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as auditors of the Company for the subsequent year is to be proposed at the forthcoming AGM.

On behalf of the Board

FAN Xuerui
Executive Director

Hong Kong, 22 March 2019

DIRECTORS

Executive Directors

Mr. WANG Junyong ("Mr. Wang")

Mr. Wang, aged 37, was appointed as an executive Director on 12 January 2018 and as the chairman of the Board on 2 February 2018. He was also appointed as the chairman of the executive committee of the Company ("Executive Committee") on 2 February 2018. Mr. Wang joined Shanghai Sansheng Hongye Investment (Group) Company Limited ("Shanghai Sansheng") in 2005 and has held various positions in the capital planning and investment departments. Mr. Wang is currently the vice president of Shanghai Sansheng overseeing the capital planning, audit and financial services departments. Mr. Wang obtained a bachelor's degree in economics from 江蘇科技大學 (Jiangsu University of Science and Technology) in 2005 and a master's degree in business administration from 華東理工大學 (East China University of Science and Technology) in 2013. Mr. Wang is responsible for overall strategic plainning and the supervision of the operation of the Group.

Mr. Wang has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Wang has not received any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Wang is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. FAN Xuerui ("Mr. Fan")

Mr. Fan, aged 31, was appointed as an executive Director on 12 January 2018 and he was also appointed as a member of each of the Nomination Committee, the Remuneration Committee and the Executive Committee on 2 February 2018. Mr. Fan was appointed as the chief operating officer of the Company with effect from 1 November 2018. Mr. Fan joined Shanghai Sansheng in 2016 and is currently the director and general manager of the investment department of Shanghai Sansheng mainly responsible for Shanghai Sansheng's investment and mergers and acquisition projects. Prior to joining Shanghai Sansheng, Mr. Fan worked in the investment banking department of 國信證券股份有限公司 (Guosen Securities Co., Ltd.*, a company listed on the Shenzhen Stock Exchange with stock code: 002736 CH) from 2013 to 2015. Mr. Fan obtained a bachelor's degree in management and a master's degree in accounting from 上海交通大學 (Shanghai Jiao Tong University) in 2010 and 2013 respectively. Mr. Fan also graduated from École Centrale Paris in 2013 with a Master Degree in Engineering of Arts and Manufactures. Mr. Fan has obtained the certificate for passing all the required subjects of the professional stage of The National Uniform CPA Examination of the PRC in 2015. Mr. Fan is the son-in-law of Mr. Chen Jianming, the ultimate controlling shareholder of the Company. Mr. Fan is responsible for implementation of business plan and supervision of operation of the Group.

Mr. Fan has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Fan has not received any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Fan is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. SUN Meng ("Mr. Sun")

Mr. Sun, aged 31, was appointed as an executive Director on 12 January 2018 and he was also appointed as a member of the Executive Committee on 2 February 2018. Mr. Sun joined Shanghai Sansheng in 2012 and is currently the vice director and general manager of the capital planning department. Mr. Sun obtained a bachelor's degree in business administration from 南開大學 (Nankai University) in 2009 and a master's degree in engineering from 北京大學 (Peking University) in 2012. Mr. Sun is responsible for the supervision of the Group with focus on the financial control of the Group.

Mr. Sun has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Sun has not received any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Sun is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. LAI Hing Kwok ("Mr. Lai")

Mr. Lai, aged 50, was appointed as an executive Director on 6 September 2018. Mr. Lai has over 10 years' solid experience in real estate investment and has in-depth knowledge of property market. He has held senior management position in a Hong Kong renowned financial institution. Mr. Lai is responsible for identifying and advising on property development and investment of the Group.

Mr. Lai has entered into a service contract with the Company for an initial term of 3 years from 6 September 2018 to 5 September 2021 (both dates inclusive). Mr. Lai has not receive any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Lai is subject to re-election or retirement by rotation in accordance with the bye-laws of the Company.

Ms. LI Guang ("Ms. Li")

Ms. Li, aged 56, was appointed as an executive Director on 23 October 2018 and she was also appointed as a member of the Executive Committee of the Company on 23 October 2018. Ms. Li was a senior economist conferred by 廣東省人事廳 (Guangdong Province Human Resources Department*) in March 2003. Ms. Li was the vice president of 廣東上市公司協會 (The Listed Companies Association of Guangdong*, "GDLA") from 2011 to 2017 and the president of 廣東新三板公司協會 (National Equities Exchange and Quotation Association of Guangdong*, "GANEEQ") from 2015 to 2017. GDLA and GANEEQ are both non-profit associations established for the purpose of promoting corporate governance standard and internal control system of listed companies. Ms. Li obtained a master's degree in economics from Jinan University in 1997. She also obtained a doctoral degree in business administration from Wisconsin International University in 2004 and has previously worked in the securities industry. Ms. Li is responsible for supervision of business operations of the Group.

Ms. Li has entered into a service contract with the Company for an initial term of 3 years from 23 October 2018 to 22 October 2021 (both dates inclusive). Pursuant to the service contract, Ms. Li has not received any remuneration since her appointment and her future remuneration would be subject to the review by the Remuneration Committee. Ms. Li is subject to re-election or retirement by rotation in accordance with the bye-laws of the Company.

Mr. HUNG Ka Hai Clement ("Mr. Hung")

Mr. Hung, aged 63, was appointed as an independent non-executive Director on 12 January 2018 and he was also appointed as the chairman of the Audit Committee and a member of the Remuneration Committee on 2 February 2018. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before he took up the Chairman role of Deloitte China from 2014 to 2016. He retired from the Chairman role of Deloitte China with effect from June 2016.

Mr. Hung is currently serving as an independent non-executive director of the following companies listed on the Stock Exchange: Sheng Ye Capital Limited (stock code: 8469) since June 2017; and Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited, stock code: 628) since October 2016. Mr. Hung is also serving as a non-executive director of High Fashion International Limited (stock code: 608) since December 2017. Mr. Hung also served as an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited, stock code: 112) from June 2017 to September 2018; and served as a non-executive director of SMI Holdings Group Limited (stock code: 198) from March 2017 to February 2019.

Mr. Hung has entered into an appointment letter with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Pursuant to the appointment letter, Mr. Hung is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year service. Mr. Hung is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. LIEW Fui Kiang ("Mr. Liew")

Mr. Liew, aged 52, was appointed as an independent non-executive Director of the Company on 12 January 2018 and he was also appointed as the chairman of the Nomination Committee and a member of the Audit Committee on 2 February 2018. Mr. Liew was the chairman and an executive director of PacRay International Holdings Limited, (a company listed on the Stock Exchange with stock code: 1010) from August 2017 to January 2019.

Mr. Liew was an independent director of 寶山鋼鐵股份有限公司 (Baoshan Iron & Steel Company Limited*, a company listed on the Shanghai Stock Exchange with stock code: 600019 CH) from 2000 to 2006, and an independent non-executive director of 中船海洋與防務裝備股份有限公司 (CSSC Offshore & Marine Engineering (Group) Company Limited*, a company dually listed on the Stock Exchange with stock code: 317 and the Shanghai Stock Exchange with stock code: 600685 CH) in 2015.

Mr. Liew is a solicitor of England and Wales as well as Hong Kong. He obtained a bachelor's degree in laws from the University of Leeds in 1989. He also obtained a master's degree in business administration (investment and finance) from the University of Hull Business School in 1996. Mr. Liew was admitted as a fellow of the Hong Kong Institute of Directors in 2011.

Mr. Liew has entered into an appointment letter with the Company. Pursuant to the appointment letter, Mr. Liew is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year's service. Mr. Liew is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company. He was re-elected at the annual general meeting of the Company on 24 August 2018 to hold office until the annual general meeting of the Company to be held in 2019.

Mr. WONG Sai Tat ("Mr. Wong")

Mr. Wong, aged 57, was appointed as an independent non-executive Director on 12 January 2018 and he was also appointed as the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee on 2 February 2018. From 2015 to 2018, Mr. Wong acted as the chief operating officer of property division in South China Holdings Company Limited, a company listed on the Stock Exchange with stock code: 413. From 2004 to 2015, Mr. Wong served as the executive vice president and general manager of China operations at Eton Properties (China) Limited. Mr. Wong also served Dynamic Holdings Limited (a company listed on the Stock Exchange with stock code: 29) from 1992 to 2015 with his last position as its general manager of China operations and executive director.

Mr. Wong obtained a bachelor's degree in business administration and a master's degree in business administration from 香港中文大學 (Chinese University of Hong Kong) in 1985 and 1988 respectively. Mr. Wong also obtained a postgraduate certificate in project management from 同濟大學建設監理研究所 (Research Institute of Project Administration and Management of Tongji University) in 1997. Mr. Wong was admitted as a fellow of the Association of Chartered Certified Accountants in 1995 and as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in 1990. He was also admitted as an ordinary member of the Hong Kong Securities and Investment Institute in 2018.

Mr. Wong has entered into an appointment letter with the Company. Pursuant to the appointment letter, Mr. Wong is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year's service. Mr. Wong is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company. He was re-elected at the annual general meeting of the Company on 24 August 2018 to hold office until the annual general meeting of the Company in 2019.

SENIOR MANAGEMENT

Mr. Lee Pui Lam ("Mr. Lee") (Aged 48)

Mr. Lee was appointed as the Financial Controller and Company Secretary of the Company with effect from 1 January 2006. Mr. Lee has been promoted to Chief Financial Officer since 1 April 2011. Mr. Lee holds a Master Degree in Professional Accounting awarded from The Hong Kong Polytechnic University and Diploma in law awarded from University of London. Mr. Lee is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Lee worked for a number of main board and GEM board listed companies in Hong Kong and has extensive professional experience in auditing, accounting and financial management.

Mr. Pi Minjie ("Mr. Pi") (Aged 29)

Mr. Pi was appointed as assistant to the general manager with effect from 1 September 2018. Mr. Pi was graduated from Peking University with a bachelor degree in engineering structure analysis. He is an undergraduate of master degree from Shanghai Advanced Institute of Finance, Shanghai Jiaotong University. Mr. Pi joined Shanghai Sansheng in 2012 and has held the position of Shanghai regional design management manager, project development supervisor of Kunshan Project, secretary to the chairman of Shanghai Sansheng, assistant to the general manager of the investment and investment banking department of Shanghai Sansheng. Mr. Pi had China's securities industry qualifications and fund qualifications. Mr. Pi had extensive experience in real estate investment and financing.

Mr. Peng Zhenjun ("Mr. Peng") (Aged 52)

Mr. Peng was appointed as general manager of 佛山銘舟工程管理諮詢有限公司 with effect from 13 August 2018. Mr. Peng was graduated with engineering management studies of Dalian University of Technology. Mr. Peng has extensive professional experience in engineering management.

Mr. Wong Cheuk Kit, Joe ("Mr. Joe Wong") (Aged 45)

Mr. Joe Wong joined the Company with effect from 8 July 2013 and currently is the Group's Property Manager. Prior to joining the Company. Mr. Joe Wong worked for a number of international property firms and celebrated property developers and has over 15-years extensive experience in project management & property management.

Mr. Mok Yu Hin, Alvin ("Mr. Mok") (Aged 37)

Mr. Mok joined the Company with effect from 5 March 2018 and currently is the Group's accounting manager. Mr. Mok was graduated from Hong Kong Shue Yan University with a bachelor degree (with Honours) in Accounting. Mr. Mok has accumulated extensive professional experience in auditing, accounting and financial management.

Corporate Governance Report

The Company is committed to good corporate governance practices in order to safeguard the interests of the Shareholders. This is essential to the success of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance and relevant amendments became effective from 1 January 2019 (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from time to time as the guidelines for corporate governance of the Company, and has complied with the CG Code throughout the Reporting Period. Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Wang Junyong was the Chairman of the Company, while the duties and responsibilities of the chief executive officer were taken up by the Executive Committee of the Company, which comprised Mr. Wang Junyong (chairman), Mr. Fan Xuerui, Mr. Sun Meng and Ms. Li Guang, all being the executive Directors of the Company. The Board believes that this structure spreads the workload that would otherwise been borne by an individual chief executive, allowing contributions from executive Directors with different expertise, and considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

ROLES AND RESPONSIBILITIES OF THE BOARD AND DELEGATED FUNCTIONS OF THE MANAGEMENT

The Board is responsible for the leadership and overall control of the Company, oversees the Group's business, formulates strategic plans and monitors financial and operational performances, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board delegates its full powers and authorities to the Executive Committee to do all such things, acts and deeds, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the Executive Committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company (subject to any regulations, resolutions and/or restrictions that may be imposed upon the Executive Committee by the Board from time to time), except for matters as set out in paragraphs 6.1 to 6.13 of the terms of reference of the Executive Committee ("Board Reserved Matters"). The Board Reserved Matters include, without limitation, the following:

(i) matters involving a conflict of interest for a substantial shareholder and/or a Director;

(ii) declaration or recommendation of dividend or payment of other distributions;

(iii) approving any proposed change in the capital structure;

(iv) approving any decision to change the general character or nature of the business of the Company;

(v) proposal to the Shareholders of the Company to put the Company into liquidation;

(vi) approving any transaction under Chapter 14 and/or Chapter 14A of the Listing Rules; and

(vii) approving any announcement under Chapter 13 of the Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions including (i) developing and reviewing the Company's policies, practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMPOSITION

The Board, currently comprises eight Directors, including five executive Directors and three independent non-executive Directors. The Company has three independent non-executive Directors, representing more than one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 24 to 26 of this annual report. Saved as disclosed Mr. Fan Xuerui, an executive Director and son-in-law of Mr. Chen Jianming (the ultimate controlling shareholder of Sansheng Hongye), there is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

The changes in members of the Board during the period and up to the date of this report are as follows:

(1) Mr. Lai Hing Kwok has been appointed as an executive Director with effect from 6 September 2018;

(2) Ms. Li Guang has been appointed as an executive Director with effect from 23 October 2018; and

(3) Mr. Sun Feng resigned as an executive Director with effect from 23 October 2018.

THE BOARD

Number of meetings attended/eligible to attend

The Board held 4 regular meetings and 16 additional meetings during the nine months ended 31 December 2018.

The attendance of individual Directors at the Board meetings and the general meetings held for the nine months ended 31 December 2018 are as follows:

Name of Directors	Regular Board Meetings	Additional Board Meetings[3]	General Meetings
Executive Directors			
Mr. Wang Junyong *(Chairman)*	4/4	11/16[6]	1/3
Mr. Fan Xuerui[1]	4/4	15/16	3/3
Mr. Sun Meng	4/4	14/16	1/3
Mr. Sun Feng[2]	3/3	7/12	1/3
Mr. Lai Hing Kwok[4]	2/2	4/5	0/1[4]
Ms. Li Guang[5]	1/1	2/3	N/A[5]
Independent non-executive Directors			
Mr. Hung Ka Hai Clement	4/4	9/16[6]	3/3
Mr. Liew Fui Kiang	4/4	8/16[6]	3/3
Mr. Wong Sai Tat	4/4	11/16[6]	3/3

Notes:

(1) Save as Mr. Fan Xuerui, being son-in-law of Mr. Chen Jianming, the ultimate controlling shareholder of Sansheng Hongye, which is the controlling shareholder of the Company and saved as disclosed, there was no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

(2) Resigned on 23 October 2018.

(3) Additional Board Meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention.

(4) Appointment effective from 6 September 2018.

(5) Appointment effective from 23 October 2018.

(6) In addition, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of executive Directors during the period under review.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Wang Junyong was the Chairman of the Company, while the duties and responsibilities of the chief executive officer were taken up by the Executive Committee of the Company, which comprised Mr. Wang Junyong (chairman), Mr. Fan Xuerui, Mr. Sun Meng and Ms. Li Guang, all being the executive Directors of the Company. The Board believes that this structure spreads the workload that would otherwise been borne by an individual chief executive, allowing contributions from executive Directors with different expertise, and considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

BOARD PROCEEDINGS

The company secretary of the Company ("Company Secretary") assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for all Board meetings. Relevant information is circulated to all Directors normally three days in advance of the Board meetings.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising from Board meetings and that they receive adequate information in a timely manner to assist them to make informed decisions and discharge their duties as Directors. Upon reasonable request, the Directors and Board Committees will have access to independent professional advice in appropriate circumstances at the Company's expense in carrying out their duties.

According to the current Board practice, if a substantial Shareholder or a Director has any conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The bye-laws of the Company ("Bye-laws") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting on any Board resolution and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his close associates has a material interest.

Meeting minutes of the Board and Board Committees are recorded in appropriate details and draft minutes are circulated to the respective Board members for comments before being approved by the Board and Board Committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors on reasonable notice.

Bye-law 166(1) of the Bye-laws provides that, among the others, every director and other officers of the Company shall 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 sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices and related matters provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The code provision A.4.2 of the CG Code requires every Director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation at each AGM. The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

In the AGM of the Company held on 24 August 2018, the executive Director (Mr. Sun Feng) retired from office by rotation pursuant to Bye-laws and in accordance with the CG Code, and was re-elected as executive Director, while Mr. Liew Fui Kiang and Mr. Wong Sai Tat being retired from office by rotation and were re-elected as independent non-executive Directors. At the AGM, each of them was re-elected to hold office until the conduction of the annual general meeting of the Company of 2019. For Mr. Hung Ka Hai, Clement, he has entered into service contracts with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive).

All independent non-executive Directors have been appointed for a specific term and accordingly the Company has been in compliance with the code provision A.4.1.

During the period, Mr. Lai Hing Kwok and Ms. Li Guang, were newly appointed as executive Directors of the Company by the Board of the Company pursuant to the bye-laws of the Company. Mr. Lai Hing Kwok appointed as an executive Director with effect from 6 September 2018 and was re-elected at the SGM held on 11 October 2018. Ms. Li Guang appointed as an executive Director on 23 October 2018 and been re-elected at the special general meeting held on 30 January 2019.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual written confirmations of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

RESPONSIBILITIES OF DIRECTORS

The Directors acknowledged their responsibility for preparing the financial statements of the Group for the nine months ended 31 December 2018. Every Director is required to keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of the Group. On appointment, new Directors will receive a comprehensive, formal induction on the Group's business and his/her responsibilities as a Director.

All Directors are also encouraged to attend training courses relevant on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates at the Company's expenses.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company or any of its subsidiaries or the holding companies who are considered to be likely in possession of inside information in relation to the Company or its securities.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each of the Directors newly appointed during the Reporting Period have received induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Under the code provision A.6.5 of the CG Code, all Directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments to the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for the Directors are arranged where necessary. During the nine months ended 31 December 2018, regulatory updates and relevant materials on amendment to Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the nine months ended 31 December 2018 is summarized as below:

Name of Directors	Seminars on regulations and updates	Reading materials relating to regulatory update and corporate governance matters
Executive Directors		
Mr. Wang Junyong	√	√
Mr. Fan Xuerui	√	√
Mr. Sun Meng	√	√
Mr. Lai Hing Kwok	√	√
Ms. Li Guang	√	√
Independent non-executive Directors		
Mr. Hung Ka Hai Clement	√	√
Mr. Liew Fui Kiang	√	√
Mr. Wong Sai Tat	√	√

BOARD COMMITTEES

The Board currently has established four Board Committees, including the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committees, for overseeing particular aspects of the affairs of the Group. All Board Committees have been established with specific terms of reference, which are available on the Company's website at http://www.zhongchangintl.hk. All the Board Committees should report to the Board on their decisions or recommendations made.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The duties and work done by the foregoing four Board Committees for the nine months ended 31 December 2018 are detailed below.

Remuneration Committee

The Remuneration Committee was established on 20 May 2005 and is governed by its terms of reference. The terms of reference have been posted on Company's website at http://www.zhongchangintl.hk. The Remuneration Committee comprised the following members: (i) Mr. Wong Sai Tat, the Chairman of the Remuneration Committee and an independent non-executive Director; (ii) Mr. Hung Kai Hai Clement, an independent non-executive Director; and (iii) Mr. Fan Xuerui, an executive Director.

The Remuneration Committee assists the Board to (i) develop and administer fair and transparent procedures for setting policies on the remuneration; (ii) to assess the performance; (iii) with delegated responsibility to determine the remuneration packages; and (iv) make recommendations to the Board of the remuneration of all Directors and senior management of the Company. It is also responsible for the administration of the share option schemes adopted by the Company, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, the compensation payable to executive Directors and senior management in connection with any loss or termination of their office, their dismissal, removal or appointment; and advising Shareholders on how to vote with respect to any service contracts of Directors that requires Shareholders' approval under the Listing Rules.

During the period, the Remuneration Committee reviewed and made recommendations to the Board on (i) the service contract for the appointment of Mr. Lai Hing Kwok as an executive Director; (ii) the service contract for the appointment of Ms. Li Guang as an executive Director; and (iii) the appointment of Mr. Fan Xuerui as the chief operating officer. It also determined by policy of remuneration of the executive Directors, assessed the performance of the executive Directors and approved the terms of executive Directors' service contracts.

Details of Directors' emoluments on named basis for the nine months ended 31 December 2018 are set out in note 12 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of the senior management by bands for the nine months ended 31 December 2018 is set out below:

Remuneration bands	No. of senior management
HK$300,001–HK$500,000	2
HK$500,001–HK$1,000,000	–
HK$1,000,001–HK$1,500,000	1
HK$2,000,001–HK$2,500,000	–
	3

The Remuneration Committee held 3 meetings during the period and the record of attendance of its members is as follows:

Name of member of the Remuneration Committee	Attendance/Number of meeting(s)
Mr. Wong Sai Tat *(Chairman of Remuneration Committee)*	3/3
Mr. Hung Kai Hai Clement	3/3
Mr. Fan Xuerui	2/2

Audit Committee

The Audit Committee was established on 20 May 2005 and is governed by its terms of reference which has been last updated on 31 December 2018 and previous updated on 25 March 2009, on 19 March 2012 and on 4 December 2015 and are available on the Company's website at http://www.zhongchangintl.hk.

The Audit Committee meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal controls and risk management and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee comprised the following members: (i) Mr. Hung Ka Hai Clement, the chairman of the Audit Committee and an independent non-executive Director; (ii) Mr. Liew Fui Kiang, an independent non-executive Director; and (iii) Mr. Wong Sai Tat, an independent non-executive Director.

Each member of the Audit Committee possesses in-depth experience in his own profession. Mr. Hung Ka Hai Clement and Mr. Wong Sai Tat possess appropriate accounting or relevant financial management expertise and meet the requirements of Rule 3.21 of the Listing Rules. During the nine months ended 31 December 2018 the Audit Committee had reviewed and discussed with management (i) the accounting principles and practices adopted by the Group; (ii) audit, internal control and risk management systems; (iii) financial reporting matters, including but not limited to the review of the completeness and accuracy of the unaudited interim report for the six months ended 30 September 2018 as well as audited consolidated financial statements for the year ended 31 March 2018 agreed by the external auditors; and (iv) review the terms of reference in compliance of the Listing Rules.

The work performed by the Audit Committee during the nine months ended 31 December 2018 also included the following matters:

- considering the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- reviewing the effectiveness of the systems of internal control and risk management of the Group;
- reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process;
- discussing with the auditor the nature and scope of the audit and reporting obligations; and
- reviewing the pricing and annual cap of continuing connected transactions.

The Audit Committee held 3 committee meetings during the nine months under review and the record of attendance of its members is as follows:

Name of member of the Audit Committee	Attendance/Number of meetings
Mr. Hung Kai Hai Clement *(Chairman of Audit Committee)*	3/3
Mr. Liew Fui Kiang	3/3
Mr. Wong Sai Tat	3/3

Nomination Committee

The Nomination Committee was established on 19 March 2012 and is governed by its terms of reference which was revised on 1 September 2013, which are available on the Company's website at http://www.zhongchangintl.hk.

The Nomination Committee comprised the following members: (i) Mr. Liew Fui Kiang, the Chairman of the Nomination Committee and an independent non-executive Director; (ii) Mr. Wong Sai Tat, an independent non-executive Director; and (iii) Mr. Fan Xuerui, an executive Director.

During the nine months ended 31 December 2018, the Nomination Committee had reviewed, (i) rotation of directors eligible for re-election at AGM; (ii) making of recommendations to the Board on the appointment of Mr. Lai Hing Kwok and Ms. Li Guang as executive Director ; and (iii) review of the nomination policy of the Company.

The Nomination Committee adopted the following procedures and criteria for nomination of Directors:

In relation to the nomination procedures:

1. When the Board considers it necessary to appoint a new Director, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification of information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of Directors.

In relation to the nomination criteria:

1. Common Criteria for all Directors:

   (a) Character and integrity

   (b) The willingness to assume Board fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company

   (e) Significant business or public experience relevant and beneficial to the Board and the Company

   (f) Breadth of knowledge about issues affecting the Company

   (g) Ability to objectively analyse complex business problems and exercise sound business judgment

   (h) Ability and willingness to contribute special competencies to Board activities

   (i) Fit with the Company's culture

2. Criteria applicable to non-executive Directors/independent non-executive Directors:

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and committee meetings

   (b) Accomplishments of the candidate in his/her field

   (c) Outstanding professional and personal reputation

   (d) The candidate's ability to meet the independence criteria for Directors established in the Listing Rules

BOARD DIVERSITY

The Company has adopted a board diversity policy ("Board Diversity Policy") since September 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Nomination Committee held 4 committee meetings during the nine months ended 31 December 2018 and the record at attendance of its members:

Name of member of the Nomination Committee	Attendance/Number of meeting(s)
Mr. Liew Fui Kiang *(Chairman of Nomination Committee)*	4/4
Mr. Wang Sai Tat	4/4
Mr. Fan Xuerui	4/4

Executive Committee

To effectively manage the business affairs of the Group, the Executive Committee was established on 2 February 2018 and is governed by its terms of reference. The terms of reference are available on the Company's website at http://www.zhongchangintl.hk. The Executive Committee currently comprises four members all of whom are executive Directors, namely Messrs. Fan Xuerui, Wang Junyong, Sun Meng and Ms. Li Guang.

Except for the Board Reserved Matters, the Board delegates its full general powers and authorities to the Executive Committee to do all such things, acts and deeds, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the Executive Committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company subject to any regulations, resolutions and/or restrictions that may be imposed by the Board from time to time.

The Executive Committee held 12 committee meetings during the nine months ended 31 December 2018 and the record at attendance of its members is as follows:

Name of member of the Executive Committee	Attendance/Number of meeting(s)
Mr. Wang Junyong *(Chairman of Executive Committee)*	12/12
Mr. Fan Xuerui	12/12
Mr. Sun Meng	12/12
Mr. Sun Feng (resigned on 23 October 2018)	11/11
Ms. Li Guang (appointed on 23 October 2018)	1/1

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The consolidated financial statements for the period under review were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming AGM.

The reporting responsibilities of HLB Hodgson Impey Cheng Limited are stated in the Independent Auditors' Report on pages 63 to 66 of the annual report.

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the period under review, the remuneration charged to the Group was HK$750,000 for statutory audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The management has overall responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function. The Company has conducted an annual review on whether there is a need for an internal audit department. Given the Group's corporate and operational structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

Regarding the internal control system, the Company has adopted a set of internal control policies and procedures (including but not limited to retaining Jones Lang LaSalle Management Services Limited as property manager of the core investment properties) to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Directors and senior management are responsible for monitoring the performance of business operating units, identifying the operational risk of the Group and reporting to the Audit Committee any significant risks identified by submitting internal control report.

External auditors will report on the weakness in the Group's internal control and accounting procedure (if any) which have come to their attention during the course of audit. For the nine months ended 31 December 2018, no critical internal control issues have been identified.

Each year, the Audit Committee reviews the findings made by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report regarding the risks of the Group submitted by the Company's senior management. The Audit Committee would also review the effectiveness of the internal control and risk management systems of the Group, including financial, operational and compliance, in the key activities of the Company's business, having considered the findings of the external auditors and the internal control report. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues including but not limited to material internal control defects and risks identified. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration. The Board would direct the management to implement the plans as appropriate.

The Board conducts a review of the effectiveness of the Group's risk management and internal control system at least annually. During the period under review, in the Audit Committee meeting and Board meeting held in June 2018, the Directors, through the Audit Committee, have reviewed the effectiveness of the Group's risk management and internal control system which covers review on all material controls including financial, operational and compliance controls and the relevant report, and other duties under the Code for the period ended 31 December 2018, so as to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions. The Board considers such systems as effective and adequate.

Regarding the handling and dissemination of inside information, to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures and the preservation of confidential information, certain measures have been taken from time to time, which include:

1. the access of inside information is restricted to a limited number of employees on a need-to-know basis, who are fully aware of their obligations to preserve confidentiality; and

2. the executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

COMPANY SECRETARY

Mr. Lee, the Company Secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience, and is capable of performing of the functions of the Company Secretary. The Company will provide fund for Mr. Lee to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

INVESTORS' RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board shall maintain an on-going dialogue with Shareholders, investors and other stakeholders of the Company and shall ensure effective and timely dissemination of information to Shareholders and encourage their participation at general meetings of the Company.

The Shareholders' Communication Policy adopted on 19 March 2012 is available on the Company's website at http://www.zhongchangintl.hk. The communication channels of the Company including the AGM, SGM, the annual and interim reports, notices, announcements and circulars, the Company's website at http://www.zhongchangintl.hk and meetings with investors and analysts.

The Company's AGM is a valuable forum for the Board to communicate directly with Shareholders. Most Directors actively participates at the AGM and answer questions from Shareholders. The chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing that their respective duly appointed delegate, are also available to answer questions at the AGM. The Chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such Chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

During the period, the 2018 AGM was held on 24 August 2018. The attendance records of the Directors at the general meeting are set out in the section headed "The Board" of this report.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting.

All resolutions put forward at Shareholders' meeting of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange at http://www.hkexnews.hk and of the Company at http://www.zhongchangintl.hk after each Shareholders' meeting.

Convening a Special General Meeting by Shareholders

Pursuant to bye-law 58 of the bye-laws of the Company, 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 Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the principal place of business of the Company, specifying the shareholding information of the Shareholder(s), his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the deposit of such written requisition. If within twenty-one days of the deposit of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act"). Pursuant to Bye-law 59, the Company shall serve requisite notice of the general meeting, specifying the time, place of meeting and the general nature of the business.

Put Forward Proposals at a General Meeting by Shareholders

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of such resolution; and (b) circulate to Shareholders entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in such proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the requisitionists may consist of several documents in like form, each signed by one or more of the requisitionists; and it must be deposited at the registered office the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its Hong Kong Principal Office, for the attention of the Company secretary, with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required by the Companies Act shall be deemed to have been properly deposited for the purposes thereof.

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Zhongchong International Holdings Group Limited (hereinafter referred to as the “Company” or “Zhongchong”, together with its subsidiaries, the “Group”), as a property developer and investor, is committed to delivering the best returns to its shareholders, as well as enhancing environmental and social values.

The Group is hereby pleased to present its Environmental, Social and Governance (“ESG”) Report (the “Report”) for the financial period from 1 April 2018 to 31 December 2018. With this Report, it is hoped that stakeholders can have a more comprehensive understanding towards the Group’s policies, measures and performances in various environmental and social aspects.

As indicated in the annual report for the year ended 31 March 2018, the Group has been seeking development opportunities in the real estate sector in the People’s Republic of China (the “PRC”) to maximise its growth potential and revenue source. As disclosed in the Company’s announcement dated 21 August 2018, a project management master agreement was proposed to be entered into between 佛山銘舟工程管理諮詢有限公司 (“Mingzhou Consultancy”) (an indirect wholly-owned subsidiary of the Company) and Shanghai Sansheng Hongye Investment (Group) Company Limited (“Shanghai Sansheng”), in which Mingzhou Consultancy and its subsidiaries are to provide project management services for the real estate projects owned and developed by Shanghai Sansheng. A new office has been set up in August 2018 by Mingzhou Consultancy in Foshan, Guangdong to prepare for the expansion in real estate project management business in the PRC.

The scope of this Report covers the operations of the Group’s core investment property, namely Jardine Center, its principal place of business and warehouse in Hong Kong, as well as the recently set-up office of Mingzhou Consultancy in Guangzhou, the PRC (the “Reporting Scope”). The dormant PRC subsidiaries are excluded from the scope of this Report due to its immateriality. Relevant quantitative environmental and social data is disclosed with consideration to its materiality to the operations of the Group. The Board has resolved to change the financial year end date of the company from 31 March to 31 December, effective from 23 April 2018. Hence, unless otherwise specified, this report presents our sustainability performance in the financial year 2018 (“FY2018”), from 1 April 2018 to 31 December 2018 (the “Reporting Period”).

Reporting Framework

This Report is prepared in accordance with the “comply or explain” and “recommended disclosures” provisions of the Environmental, Social and Governance Reporting Guide (“ESG Guide”) contained in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Board of Directors (the “Board”) is committed to disclosing the Group’s management approach, operating practices, and environmental and social performances that are material to the Group’s operations. Such data is disclosed on an annual basis, in a transparent and responsible manner.

Feedback Contact

The Group values your feedback on this Report and on our sustainability performance. Please feel free to send us your comments to the Group’s headquarter office at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Stakeholder Engagement

Sustainability is upheld by the Group as an opportunity to achieve corporate growth, reduce environmental impact and empower the communities where it operates in. As such, great importance has been attached to sustainability for the benefit of its stakeholders. At present, the main stakeholders include shareholders and investors, employees, customers, suppliers, tenants, community, regulatory bodies and media. During the Reporting Period, the Group has made considerable effort in ensuring that its stakeholders’ value is sustained within its business operations.

The Group understands that it is vital to incorporate stakeholders' priorities and concerns into operations in order to attain sustainable development and continuous improvement. Regular engagement activities are conducted with its shareholders and investors, employees, customers, suppliers, and tenants to objectively examine material areas. It also engages with the community, regulatory bodies and media, whenever necessary.

Through engagement, it allows the Board to respond to issues that concern their stakeholder groups by carrying out mitigatory measures. To ensure transparency and facilitate communication with internal and external stakeholders, formal and informal engagement channels are employed within the Reporting Period.

Stakeholder Groups	Engagement Channels	Material Issues Concerning Stakeholders
Shareholders and Investors	• Annual and special general meetings • Announcements and circulars • Annual and interim reports	• Financial performance • Operational risks • Corporate governance
Employees	• Regular meetings and briefings • Performance appraisals • Assessment survey[1] • Satisfaction survey[2] • Industry exhibitions[3] • Market surveys[4] • Training and development • Orientation action plan • Notice boards • Message boxes	• Occupational health and safety • Benefits and remunerations • Career development • Workforce engagement
Customers	• Customer visits • Meetings and correspondence	• Product and service quality • Product safety and related responsibilities • Technological development • Market trends
Suppliers	• Assessment survey • Site visits • Meetings and correspondence	• Operational compliance • Environmental standards and requirements • Fair procurement
Tenants/Licensees[5]	• Personal contact • Online media • On-site services • Notice boards	• Safety and security • Building quality • Market trends
Regulatory Bodies	• On-site inspections • Compliance reports • Meetings and correspondence	• Laws and regulations compliance • Environmental impacts
Media	• News articles • Meetings and correspondence	• Corporate image and reputation • Product quality and safety

1 The assessment survey is conducted among the Building Manager (Jones Lang LaSalle Management Services Limited ("JLL")) of Jardine Center only.
2 The satisfaction survey is conducted among the Building Manager (JLL) of Jardine Center only.
3 The industry exhibitions are conducted among the Building Manager (JLL) of Jardine Center only.
4 The market surveys are conducted among the Building Manager (JLL) of Jardine Center only.
5 Tenants refer to the occupier(s) of the premises and/or utilities at Jardine Center, Hong Kong.

Materiality Assessment

As aforementioned, various engagement channels have been conducted during the Reporting Period. It allows the Group to discern the relative importance of materiality issues as prioritised by its stakeholders, while getting informed and mitigating relevant risks.

The order of importance is ranked after thorough assessment and evaluation. Hereinafter, the Group shall consider assessing the materiality of each relevant factor to assist in the implementation of strategy to further improve its overall sustainability performance.

Aspects	Relevant Factors
Operating Practices	Supply chain, quality assurance, customer satisfaction
Corporate Governance	Anti-corruption, internal control
Labour Practice	Employment, health and safety, training, labour standards
Environmental Protection	Carbon emissions, waste reduction, energy and water usage
Community Engagement	Customer satisfaction

OPERATING PRACTICES

Effective management of environmental, social and economic performance throughout daily operation is considered the core of the Group's corporate value. As a responsible corporate citizen, the Group displays commitment towards sustainable development by not only maintaining close relationship with its suppliers, but also ensuring meticulous standards on its operation and business conduct.

Supply Chain Management

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As a property investment holding company, the Group is devoted to enhancing operation throughout its supply chains by maximising operational efficiency and minimising ESG risks altogether. It is also aware of the essence to maintain a healthy supply chain relationship as well as to pay close attention in ensuring compliance with relevant laws and regulations.

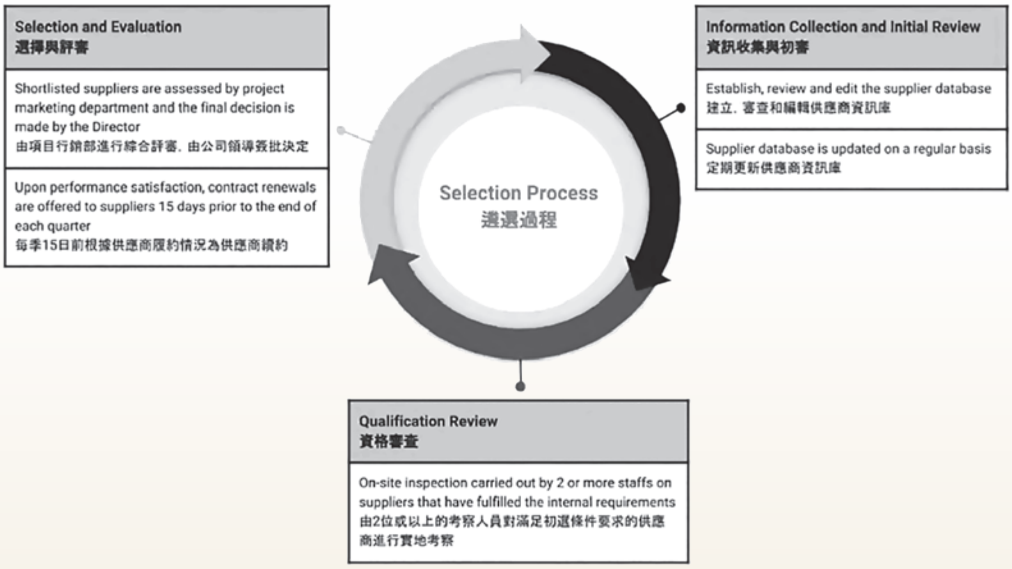
For the management of Jardine Center, the Group continues to outsource to property management contractor, JLL, for the safe and sound running of its properties. It engages closely with and relies upon JLL in driving sustainability within its scope of operations.

To ensure the wellbeing of all vendors, tenants and visitors of Jardine Center, JLL issued the Standard Terms and Conditions of Purchase Order/Job Order, which requires vendors to fully abide by the laws and regulations and obtain all required approval/license(s) from relevant Government department(s). Vendors are also required to strictly follow the Environmental Guidelines for Vendors to employ measures that generate minimal environmental and noise pollution in their provision of services, in addition to the Safety Management Guidelines for Vendors to ensure in-house work safety via provision of adequate training, information and supervision.

PRC Property Project Management Services

Mingzhou Consultancy, as a project manager provides property site project management services on clients' real estate projects in the Greater Bay Area, set up its office in Foshan, Guangdong in August 2018. During the Reporting Period, Mingzhou Consultancy did not record having any material suppliers related to the services it provides. Nevertheless, it is devoted to foster sustainability within its office operations by sourcing environmentally-friendly and energy efficient materials, such as office furniture and electrical appliances.

For sourcing property site project management service-related suppliers in the future, Mingzhou Consultancy implemented the Guideline on Supply Chain Management (供應商管理辦法) which details a set of stringent procurement and tendering policies to be followed during the selection process:



In terms of conflict management, site visit is conducted with suppliers biannually, in order to supervise their environmental, social and governance performance as well as to ensure laws and regulations are being abided by.

An assessment report detailing information regarding cooperation, production, and suppliers' current and future development plans is submitted after each visit. Poor performers who fail to meet the company's requirements, or have violated any codes of conducts during the course of procurement or contract fulfilment, may face exclusion from future tendering or early termination of contract.

Responsible Operation

The Group believes that operational excellence is delivered by attentive maintenance of product and service quality, assurance of customers and employees' health and safety, perpetuation of healthy relationship with suppliers, vendors and tenants, as well as being transparent with its advertising materials.

HK Leasing Business

As aforementioned, the Group incorporated sustainability factors into its supply chain management. JLL, the property manager of Jardine Center, submits budget to the Group and puts emphasis on the property's environmental and safety management by requiring vendors and tenants/licensees to strictly comply with the terms and conditions that have been set out. In addition, the Group has organised internal meetings to discuss areas that can improve its service quality for better customer experience. A series of work were completed during the Reporting Period, in November and December 2018 consequently, including the installation of additional air-conditioning units at lobby area and LED display at the main entrance of the building.

To ensure the health and safety of all personnel involved within the Group's operations, all suppliers and tenants shall fulfil their contractual obligations and comply with the terms and conditions as well as related regulations set forth by the government. As outlined in the Occupational Safety and Health Ordinance (Cap. 509), all on-site employees directly hired by JLL are obliged to prevent injury or illness to any person and to prevent and minimise damage to the properties. Under contractual terms with JLL, on-site employees directly hired by JLL are required to follow all applicable guidelines and attend trainings, as well as to wear personal protective equipment as provided, whenever necessary.

In order to secure that the operation of Jardine Center do not impose any health and safety threats to its tenants or building users, the Group entrusts its property management service provider, JLL, in its adoption of the Preventive Maintenance Plan. On a monthly basis, it carries out inspection and if necessary, maintenance on building installations including the pumping and drainage system, electricity system, fire services system, lifts, gondola, lighting, air conditioning system and fragrance dispensing system. To ensure electricity supply is in accordance with the statutory requirement and that the Building provides contingency power supply for designated installation, the Groups has installed a standby generator. And to guarantee steady operation of the generator, periodic test and maintenance are conducted. A quality management audit is also conducted per annum to evaluate the performance and safeguard the interest of the Company, JLL, tenants and all building users. According to the audit report dated 30 July 2018, no non-compliance item has been found.

The Group strives to protect all customers' and employees' data and eliminate any unnecessary data security risks by complying with the Personal Data (Privacy) Ordinance (Cap. 486). All relevant local and national laws and regulations governing the privacy of data is strictly followed within the scope of operation of Jardine Center. Strict control is also imposed with regards to access to confidential or proprietary information provided by clients, suppliers, employers and employees. Data are stored in protected servers under robust IT controls and security infrastructure.

PRC Property Project Management Services

Mingzhou Consultancy formulated the Quality Control Procedures of Construction Sites (地盤監工的品質檢定過程). Consists of three guiding steps, the policy requires responsible personnel to conduct the following:

1) *Quality Review and Examination*

   To ensure project quality, a detailed list of contents to be thoroughly reviewed before approval is prepared during the project preparation stage. These contents include construction plan, procedures, quality of raw materials and on-site workers, as well as quality control parameters.

2) *Quality Supervision and Control*

   Site supervisory staff, such as supervising engineers are stationed at construction site to oversee the project procedures. Inspections are carried out to ensure the on-site quality of work.

3) *Verification and Audit Checks*

   Random sampling checks on the quantity and quality of ordered raw materials are conducted before issuing acknowledgement of receipt. Daily inspection on the construction process is carried out in order to ensure the effectiveness and efficiency of operation. Contractors are obligated to strictly follow the verification and audit process. Before signing any documents, they have to carefully examine the content of relevant documents, as well as ensure the final products meet with the requirements of quality control parameters. They are also required to keep records of relevant document and information attachment.

At the same time, Mingzhou Consultancy pays respect and upholds importance to privacy matters of customers by adhering to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) and formulating the Guideline on Confidentiality Management (保密管理辦法). It requires all employees to secure confidential information, including but not limited to business documents, customers and employees' profiles, as well as meeting minutes. Disclosure of information is only allowed under authorisation.

Business Conduct

HK Leasing Business

To operate with the highest standards of business integrity and ethical standards, the Group follows closely with the guidelines outlined within its Hong Kong Employees' Handbook. It implemented the Employee Code of Conduct ("the Code"), which was developed with reference to the Prevention of Bribery Ordinance (Cap.210) and other relevant anti-corruption legislation.

The Code requires strict abidance from employees and specifies that, except gifts or favours of a token nature which are considered acceptable, under no other circumstances should employees offer, solicit or accept anything of material value from any parties, unless consent has been given by the Company. In addition, all employees are required to report to management in encountrance of suspected corruption, theft, fraud and embezzlement cases through whistle-blowing channels. Similarly, there are relevant anti-corruption requirements and regulations where JLL's on-site employees at Jardine Center can make reference to within its staff handbook.

To comply with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), directors of the Group are required to guarantee that all interested dealings are to be conducted in accordance with the Model Code. It also forbids any unauthorised disclosure of confidential information to any parties or making any use of such information for the advantage of himself/herself or others. The Group also adjures its employees to abide with the Code for Securities Transactions by Relevant Employees, a listing rule outlined based on the Model Code.

In order to enhance our staff's knowledge on anti-corruption law, integrity management and ethical decision making, the Group participated in a talk organised by the Independent Commission Against Corruption (ICAC) in this Reporting Period. The talk introduced to our staff the business code of ethics and good governance, as well as practices that safeguard against corruption and fraud.

PRC Property Project Management Services

Mingzhou Consultancy is committed to strengthening its internal management and further preventing disciplinary violations by fully complying with the Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法) and issuing the Guideline on Anti-Money Laundering (反洗黑錢管理辦法) and the Preventive Measures Against Bribery (防止賄賂措施). The Anti-Money Laundering Steering Committee of Mingzhou Consultancy is set up to supervise, manage, and evaluate reports received from employees regarding anti-money laundering cases, as well as to strengthen liaison and communication with the People's Bank of China and the Ministry of Justice.

In compliance with regulatory requirement, Mingzhou Consultancy organises training workshop on an annual basis where all employees are subjected to compulsory attendance. Training sessions are tailor-made for respective employment types. For employees at senior management level, the training content emphasised on national anti-money laundering laws and regulations. Whereas for employees at junior level, they are introduced to anti-money laundering rules, such as client identification, record-keeping and report submission as well as penal consequences in case of violation. Convenient reporting channels including report hotline and email, are also developed in place, encouraging employees to adopt telephone, email, letter and other methods to report on any irregularities or violations to the Anti-Money Laundering Steering Group.

The Group also values intellectual property and implemented the Intellectual Property Management System (智慧財產權管理制度). Prior to any utilisation of intellectual property, it obtains proper authorisation and licensing agreement and adheres strictly to the terms of use. In protecting respective intellectual properties, all computers at the headquarter office are equipped with individual formal license.

During the Reporting Period, there was no reported or prosecuted case of bribery, extortion, fraud or money laundering. In the future, the Group shall continue to drive positive impact on the health and interest of its buildings tenants and users, as well as to assure standardised product quality by rigorous monitoring and supervision.

SOCIAL

At Zhongchang, recruiting and retaining engaged talents are of the essence to sustainable growth of the Company. Hence, the Group is committed to providing a safe, healthy and productive working environment for its employees, as well as supporting their career development to unleash their greatest potential.

Employment

HK Leasing Business

The Group's talent acquisition and promotion procedures are governed by the Employment Ordinance (Cap. 57) and the Policy on Equal Employment Opportunities outlined in its Hong Kong Employees' Handbook. The procedures are to be observed in an equitable and fair manner, under which potential candidates and current employees are considered for recruitment, internal transfer and promotion regardless of their sex, nationality, marital status, disability and religious belief. To eliminate discrimination at workplace, all employees are entitled and offered the same benefits and treatment.

JLL ensures that employment of on-site employees at Jardine Center fulfils the criteria each job position requires. Employment guideline is set and restricted by JLL's recruitment purposes, to monitor the qualification of on-site employees. To ensure coherence with the core values of the Group, similar guidelines are provided to Mingzhou Consultancy in the PRC for its implementation of internal policies.

The Group offers a competitive compensation package as outlined in the Hong Kong Employee's Handbook, including but not limited to medical insurance schemes. It also adheres with the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance of Hong Kong and the Labour Ordinance. We offer paid annual leave, sick leave, maternity and paternity leave, provident fund and allowances, as well as long service payments to all eligible employees. All applicable laws and regulations relating to wages, work hours, overtime, and holidays are under strict compliance. For instance, extra working hours are rightfully compensated according to employees' respective employment contracts.

PRC Property Project Management Services

Employees of Mingzhou Consultancy are fully protected under the Labour Law of the People's Republic of China (中華人民共和國勞動法) where candidates' non-job-related individual characteristics, would not be considered as part of recruitment process. In compliance with the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法), it endows employees with medical, employment injury, maternal, and social insurance. All employees are also provided with welfare benefits in accordance with the Provisions on Minimum Wages (最低工資保障制度).

Mingzhou Consultancy also adheres to the rules set by the Regulations on Working Hours of Employees (國務院關於職工工作時間的規定), which regulates the required working hours (maximum 8 hours per day, or 40 hours per week) while overtime work is to be compensated at a premium rate, that is, not less than 150%. In compliance with the Regulation on Public Holidays for National Annual Festivals and Memorial Days (全國年節及紀念日放假辦法) and the Implementation Measures for Paid Annual Leave for Employees of Enterprises (企業職工帶薪年休假實施辦法), all employees are entitled to holidays and paid annual leave.

To optimise performance, a performance-based reward system is established. The Group conducts annual performance appraisals on employees' individual possession of attributes and job performance within the Reporting Period. Salary is thus adjusted annually in accordance to the result of their performance review. In similar manner, Mingzhou Consultancy issues the Regulation on Work Attendance (員工考勤管理制度) under the Employees' Handbook (員工手冊). All employees are briefed on the reward and punishment mechanism adopted by the company during their orientation training.

The Group strives to secure a discrimination-free workplace by complying with the Sex Discrimination Ordinance and issuing the Guidelines on Sexual Harassment under its Hong Kong Employees' Handbook. Whereas Mingzhou Consultancy devotes to rule out gender inequality and discrimination against disability by abiding with the Law of the People's Republic of China on the Protection of Women's Rights and Interests (中華人民共和國婦女權益保障法) and the Law of the People's Republic of China on Protection of Disabled Persons (中華人民共和國殘疾人保障法). As such, appropriate disciplinary action is to be taken against anyone who is in breach of the aforementioned laws and regulations.

During the Reporting Period, no cases of non-compliance with relevant labour-related laws and regulations were found. There were also no cases of complaints with regards to workplace discrimination or harassment.

Health and Safety

HK Leasing Business

Ensuring the health and safety of employees, tenants, buildings users and contractors is the Group's priority. Mechanisms and rules are embedded in daily operations, contracts and tendering processes to maintain a healthy and safe workplace. The Group as well as its property manager, JLL, are at all times in strict compliance with the Occupational Safety and Health Ordinance (Cap. 509).

The Group has detailed in its Hong Kong Employee's Handbook, guidelines and procedures to be taken in case of accidents, injuries or fire at work. An occupational health and safety ("OHS") work procedure guideline is in place for Jardine Center, providing occupational safety principles for potential risks, implementation and monitoring mechanisms, as well as guidelines on handling emergency incidents, such as injury, fire and chemical spills and leakage.

As the property management service provider of Jardine Center, JLL closely monitors and maintains healthy and safe workplace environment of the building. OHS trainings are provided regularly to subcontractors and employees to ensure that all personnel complies with the safety guidelines. JLL would review and update the safety guidelines from time to time, so as to ensure all guidelines are up to latest statutory requirement. The session content is in accordance with JLL's Training Manual for Safety at Work. Whenever necessary, personal protective equipment, including but not limited to, safety helmets, gloves, goggles, and reflective vests are provided, and periodic safety gears check is performed. To ensure staffs are well following the guidelines and using the safety gear properly, JLL arranged internal audit or inspection for Jardine Center regularly. During the Reporting Period, no such non-compliance issue was being found.

PRC Property Project Management Services

As a real estate project management company, Mingzhou Consultancy pays profound attention to the wellbeing and safety of its employees and subcontractors. The Regulation on Health and Safety Management (員工健康與安全保障管理辦法) provides guidelines to the setup of appropriate workplace environment, for instance, hygiene maintenance, sufficient lighting level and ventilation. In order to increase awareness towards occupational risks, all employees are required to attend briefing and training session regarding health and safety insurance.

Our client's projects in the PRC region must comply with both national and local laws, which are explicitly stated within contracts and sub-contracts. To ensure safety at construction sites, Mingzhou Consultancy is alert towards aspects such as noise minimisation, fire prevention, manufacturing safety, and employees' occupational health. Regulations that have been complied with during the Reporting Period include:

- Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法)
- Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases (中華人民共和國傳染病防治法)
- Classification of occupational hazards at workplaces – Park 4: Occupational exposure to noise (工作場所職業病危害作業分級第4部門：噪音)
- Fire Control Law of the People's Republic of China (中華人民共和國消防法)
- Fire safety signs – Part 1: Sign (消防安全標誌第1部分)
- Standard for Management of Labor Protection Articles of Employers (用人單位勞動防護用品管理規範)
- Regulations on the Administration of Work Safety of Construction Projects (建設工程安全生產管理條例)
- Safety in Welding and Cutting (焊接與切割安全)
- General Safety Requirements for Machining Facilities (機械加工設備一般安全要求)
- Measures for Administrative Penalties against Illegal Acts Concerning Work Safety (安全生產違法行為行政處罰辦法)
- Measures for the Supervision and Administration of Employers' Occupational Health Surveillance (職業健康監護管理辦法)
- Regulation of Guangdong Province on Work-Related Injury Insurance (廣東省工傷保險條例)

Training and Development

HK Leasing Business

To attain sustainable business growth, the Group recognises the importance to provide training and development programmes among its directors and employees to leverage opportunities and mitigate potential risks within the Company.

To align the Group's strategies with its ever-changing business landscape, new independent non-executive directors and executive directors are required to receive director training. During the Reporting Period, all directors and employees were reported to have attended external training sessions, including programmes related to property industry and those required by the Stock Exchange. Following the guidelines under the Hong Kong Employees' Handbook, employee performance reviews are periodically carried out to allow employees to adequately receive feedback on their performance, identify areas for and ways of improvement, as well as agree on training needs, whenever necessary.

In order to furnish a safe environment for employees, tenants and visitors, JLL closely follows to the guidelines drawn on the Training Manual for Safety at Work. Every new recruit of JLL must attend the internal Staff Induction Programme within probation period. A wellness programme (that covers stress management, relationship enhancement and personal growth) and a team building programme are organised every year.

PRC Property Project Management Services

In Mingzhou Consultancy, all new recruits at executive, administrative and operational level must attend one-on-one training programmes within their 3-month probation period, with reference to the Training Manual for New Employees. Under which, they are required to get familiarised with the company's policy, and relevant guidelines related to occupational health and safety.

Labour Standards

The Group upholds labour standards by rigorously observing laws and regulations as well as ensuring all employment processes and operational procedures are free from child or forced labour.

HK Leasing Business

It adheres strictly to the Employment of Children Regulations and The Employment of Young Persons (Industry) Regulations, where all recruit personnel are required to conduct background checks against candidates according to the guidelines listed under the Group's Hong Kong Employees' Handbook. During recruitment, submission of legitimate identification, education and work references, and other relevant documents are strictly required from all candidates. It guarantees that all recruits are thoroughly vetted to meet all criteria needed to fulfil relevant job duties. In addition, the Group coordinates with its property manager, JLL, in prohibiting any form of child or forced labour within its on-site operations at Jardine Center.

PRC Property Project Management Services

For operation in the PRC region, Mingzhou Consultancy complies and follows strictly the rules underlined by the Law of the People's Republic of China on the Protection of Minors (中華人民共和國未成年人保護法), the Provisions on the Prohibition of Using Child Labour (禁止使用童工規定) and the Provisions on the Special Protection for Juvenile Workers (未成年工特殊保護規定). Internally, the company adheres to the Regulation on the Prohibition of Child Labour and Juvenile Workers (禁止使用童工和未成年工管理制度), requiring background checks against candidates during recruitment stages. During orientation training, new employees are introduced to the company's value in corporate social responsibility, as well as laws and regulations related to child and forced labour.

Remedial measures are to be taken in times when any child labour cases are discovered, where the identified underaged will be repatriated to their residence under their parents or guardians' watch. As a responsible employer, Mingzhou Consultancy strictly forbids any irresponsible dismissal of child labour. It is stated in the Regulation on the Prohibition of Child Labour and Juvenile Workers that any acts of violation during dismissal, including but not limited to child injury, disability or death, will be held liable with the legislation in force.

Within the Reporting Period, no cases of child or forced labour were identified within the operations of the Group, JLL and Mingzhou Consultancy.

Community

The Group believes that recompensing to the society and contributing to the common good are actions that are core to its intrinsic value. During this Reporting Period, the Group strives to arouse mass awareness towards environmental protection. For instance, by joining the "Hong Kong Green Shop Alliance", shop tenants are cultivated with the knowledge regarding practices they can take to minimise environmental pollution in terms of energy and water usage, waste reduction and sustainable sourcing of materials etc. In addition, by joining the Charter on External Lighting, the Group has pledged to switch off lighting system from 12AM to 7AM. It guarantees fewer number of people who may be adversely affected by nuisance lighting at night.

Centring at the business and tourist hub of Hong Kong Island, the Group possesses locational advantage. Together with a service-based nature, it is able to attract a wide scope of customers that include not only locals but tourists. The Group's operation has fostered the prosperity of the city's tourism and retail industry.

Moving forward, community is going to be the stakeholder the Group will engage more with, in order to demonstrate its role as a responsible corporate citizen.

ENVIRONMENT

As there is observable intensification of climate change over the years, businesses are also facing adverse impacts. These adverse impacts may include disruption of supply chain and operations due to more frequent extreme weathers as well as increasing costs for cooling due to increase in average temperature. As a property investor and project manager, the Group is not involved in activities that have significant direct impact on the environment and natural resources. Nevertheless, it recognises the indirect impact the operations might induce. In order to show respect to nature and limited scarce resources, the Group strives to build a greener future through active management of environmental performance and promotion of greater environmental stewardship.

To regulate its environmental impact, the Group obeys all relevant laws and regulations as well as observes industry practise as guiding principles for its daily operation. Efforts have been made to advocate environmental conservation and compliance among employees, on-site workers, tenants and building users via pursuit of environmental measures. During the Reporting Period, the Group did not receive any complaints, or records of violations regarding relevant environmental laws and regulations.

Emissions

The composition that makes up of the tenant portfolio within the premises of Jardine Center includes celebrated food and beverage catering, beauty and health services, as well as items retailers, including women fashion, grocery, pharmacies, health and personal care products, and cosmetics. The aforementioned services, though generate relatively small amount of smoke, grease and other air emissions, may affect the indoor air quality of Jardine Center.

The Group pays utmost attention to enhance the comfort level of the tenants and building users at Jardine Center under strict compliance of the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong). It is moreover, in close collaboration with its property management service provider, JLL, in requiring all tenants to adhere to the aforementioned ordinance as well as other relevant laws and regulations during their daily operations.

Greenhouse gas (“GHG”) is another common type of air emissions that the Group emits. During the Reporting Period, the Group’s GHG emissions are mainly derived from scope 2 energy indirect emissions through energy consumed within the headquarter office, warehouse and Jardine Center in Hong Kong, as well as its operation in PRC region. As newly established in August 2018, scope 2 energy indirect emissions from Mingzhou Consultancy are recorded from 1 September to 31 December 2018. Scope 1 direct emissions are generated by diesel oil consumption through the combustion of a standby generator installed in Jardine Center, whilst scope 3 other indirect emissions consist of paper waste disposed at landfills and the electricity used for processing fresh water in Hong Kong.

The quantification methodology is based on the emission factor referenced in the "Guidelines to Account and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong", the "Emission Factor Baseline on Regional Grid in China (2015)" (《2015中國區域電網基準線排放因子》) as well as the latest emission factors, published by relevant power companies when available.

GHG Emissions	Unit	Headquarter Office and Warehouse	Jardine Center[6]	Mingzhou Consultancy
Scope 1: Direct Emissions	tCO_2-e	0.000	0.039	0.000
Scope 2: Energy Indirect Emissions	tCO_2-e	6.154	136.786	0.741
Scope 3: GHG Emissions from Paper Waste Disposed at Landfills[7]	tCO_2-e	1.946	0.000	0.000
Scope 3: GHG Emissions due to Electricity Used for Processing Fresh Water by Government Departments[8]	tCO_2-e	0.000	8.252	0.000
Scope 3: GHG Emissions due to Electricity Used for Processing Sewage by Government Departments[9]	tCO_2-e	0.000	2.759	0.000
Total Emissions	tCO_2-e	8.100	147.836	0.741

Waste Management

As a property investor and developer, the Group recognises the importance of its role to fulfil corporate social responsibility by proper handling of waste at Jardine Center, as well as employees at headquarter office and at Mingzhou Consultancy. The Group requires strict compliance with the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong) among its employees and on-site staff at headquarter office and Jardine Center.

With a service-based nature, the majority of waste is generated by its tenants at Jardine Center, stemming from commercial municipal solid waste, which includes food waste and recyclable waste products. The domestic waste is collected by professional waste collector at a fixed rate at the cost of responsible tenant. At present, the Group, JLL or Mingzhou Consultancy do not record the amount of waste produced throughout their daily operations. However, it is known that neither the Group nor JLL generates hazardous waste. Within the Reporting Period, the estimated amount of non-hazardous waste produced by JLL, which mainly consists of domestic and food waste, accounts for less than 182.5kg.

6 The reported scope of Jardine Center includes its common area, roof, and vacant area.

7 The headquarter office did not have paper inventory record at the beginning of the Reporting Period. It also did not collect paper for recycling purpose. The assumption is derived from the amount of paper purchased during the Reporting Period and the paper inventory at the end of the Reporting Period. The quantification methodology is based on the emission factor from the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong (2010).

8 The quantification methodology is based on the 2017 emission factor from the Water Supplies Department.

9 The quantification methodology is based on the 2016 emission factor from the Drainage Services Department.

In April 2018, JLL introduced to its tenants and on-site employees the Project Proposal for Environmental Protection (環保措施提議) at Jardine Center. In which, recycling bins are stationed at Jardine Center for internal use and are handled by contracted waste collector. Food and beverage tenants' were encouraged to voluntarily participate in the Food Waste Recycling Partnership Scheme (廚餘循環再造合作計劃) organised by the Environmental Protection Department. Whereas other waste, such as waste cooking oil produced from food and beverage tenants and construction waste from fitting-out works are handled under strict compliance of relevant laws and regulations.

During the Reporting Period, the Group collaborates with JLL and joined the Wastewi$e organised by the Hong Kong Awards for Environmental Excellence. Measures to reduce the amount of waste generated within Jardine Center were adopted, including waste avoidance and reduction by product reuse, collection and recycling of recyclable materials, and purchase of recycled materials during product procurement.

The Group also strives to minimise waste produced at its headquarter office, JLL and Mingzhou Consultancy. Efforts have been made to advocate a wasteless and paperless office by setting drafts and internal documents in using double-sided printing, reusing envelopes and festive decors, as well as recycling fluorescent lamps. During the Reporting Period, the headquarter office and Mingzhou Consultancy do not produce any hazardous waste and is estimated to produce less than 182.5 kg and 182.5 kg of non-hazardous waste respectively.

Resources Management

As electricity consumption remains one of the energy resources that the Group relies heavily upon for its business operation, it regards achieving energy efficiency essential to mitigate environmental impact induced by fossil fuel combustion. During the Reporting Period, efforts are rigorously paid to reduce carbon footprint by energy saving. The Group operates its property, Jardine Center in accordance with Section 22 of the Buildings Energy Efficiency Ordinance (Cap. 610) by constantly improving the building's energy efficiency performance and introducing energy management opportunities.

For example, the Group cooperates with JLL and joined the EnergyWi$e organised by the Hong Kong Awards for Environmental Excellence. It refers to the 4 prescriptive Building Energy Codes published by the Electrical and Mechanical Services Department and adopts energy reduction measures on lighting, air-conditioning, electrical, and lift and escalator installations. For instance, the adoption of LED lighting at lobby ceilings and lightboxes, as well as turning off one of the elevators and the major air-conditioning system at the lobby area after 1AM are implemented.

As property manager of Jardine Center, JLL supports the "Hong Kong Green Shop Alliance" by actively encouraging the Group's shop tenants to implement sustainable practices by promoting better use of energy, better use of water, reduction of municipal solid waste, reuse and recycle of material, green procurement and social green behaviour. It is therefore, awarded with the Certificate of Appreciation by the Hong Kong Green Building Council in this Reporting Period. To combat with climate change, the Group supported the Charter on External Lighting launched by the Government of the HKSAR and has pledged to switch off all lighting installations every day from 12AM to 7AM.

In parallel, Mingzhou Consultancy implements the Measures to Reduce Emission at Office (辦公室減低排放量的措施) by regulating air cooling temperature at a standardised 26°C. It also establishes the Guidelines on Energy Efficiency at Office (辦公室節能措施細則) for employees' reference in cutting energy use on air-conditioning system, computers and printing machines when unused, in order to achieve energy efficiency.

Lavatory and cleaning are the two major compositions of water use for the Group's business operations. Similar with the financial year ended 31 March 2018, water usage for direct operations is minimal compared to its tenants. The Group regards conserving water resources as critical among tenants, building users and its employees.

Water conservation signs are posted in the lavatories of Jardine Center leased to tenants to encourage minimal water usage. Mingzhou Consultancy, in like manner, issues the Measures to Conserve Water Usage (減少用水及節省用水的方法) and incorporates water saving measures in its operation guidelines for employees' reference. During the Reporting Period, Jardine Center has directly consumed approximately 18,166 m^3 of fresh water. Since the property management companies are responsible for the payment of water usage at the headquarter office and the PRC office, there is no water consumption record within the Reporting Period. The Group did not receive any non-compliance cases or complaints regarding to water consumption.

2018 Energy Usage	Unit	Headquarter Office and Warehouse	Jardine Center[9]	Mingzhou Consultancy
Electricity[10]	mWh	7.789	173.146	0.827
Diesel Oil[11]	Litres	0.000	15.000	0.000
Total Energy	MJ	28,041.763	623,906.240	2,977.200

9 The reported scope of Jardine Center includes its common area, roof, vacant area and lavatories.

10 For electricity consumption at Mingzhou Consultancy, some electricity bill data was unavailable. For the missing data, an average daily use was calculated for the previous billing period, and this was multiplied by the number of unbilled days in the fiscal year.

11 Diesel oil consumption at Jardine Center is solely used for the motorizing of emergency generator, and its annual consumption figure is an educated estimation by JLL.

SUSTAINABILITY PERFORMANCE

Key Performance Indicators	Unit	Headquarter Office and Warehouse	Jardine Center	Mingzhou Consultancy	Total
Environmental					
GHG Emissions (Scope 1, 2 & 3)	tCO_2e^-	8.100	147.836	0.741	156.677
GHG Emission Intensity By Revenue[12]	tCO_2e^-/HKD'000	N/A	N/A	N/A	0.000
GHG Emission Intensity By Area[13]	tCO_2e^-/m^2	0.053	0.080	0.002	0.065
Energy Usage	MJ	28,041.763	623,906.240	2,977.200	654,925.203
Electricity Usage	kWh	7,789.378	173,146.456	827.000	181,762.834
Oil Usage	L	NIL	15	NIL	15
Energy Intensity by Revenue	MJ/HKD'000	N/A	0.028	N/A	0.028
Energy Intensity By Area	MJ/m^2	183.266	336.935	9.308	281.741
Water Consumption[14 15 16 17]	m^3	N/A[15]	18,166.502	N/A	18,166.502
Water Consumption Intensity By Area	m^3/m^2	N/A	9.811	N/A	8.419
Paper Waste Disposed[18]	kg	405.443	N/A	N/A	405.443
Maximum Waste Disposed	kg	182.5	182.5	182.5	547.5

12 Revenue in calculation includes the Group's overall revenue within the Reporting Period, which may include revenue sources from outside the scope of the Report.

13 Area calculations are represented by an estimation of gross floor area of headquarter office, common area of Jardine Center and Mingzhou Consultancy. Vacant area of Jardine Center and warehouse are excluded in the estimation of area.

14 Daily average water consumption may be used to extrapolate missing water consumption data, when appropriate.

15 Water consumption at the headquarter office is not available, because the Group shares lavatory with other tenants within the commercial building.

16 For water consumption at Jardine Center, some water bill data was unavailable due to quarterly billing. For the missing data, an average daily use was calculated for the previous billing period, and was multiplied by the number of unbilled days in the fiscal year.

17 Water consumption at the office of Mingzhou Consultancy is not available, because the Group shares lavatory with other tenants within the commercial building.

18 The amount of paper waste disposed is calculated by the total amount of paper purchased during the Reporting Period less the amount of unused paper in storage at the end of the Reporting Period.

Key Performance Indicators	Unit	Headquarter Office and Warehouse	Jardine Center	Mingzhou Consultancy	Total
Social					
Total Workforce[19]	Person	12	7	11	30
Workforce By Gender					
Male	Person (%)	5 (41.67%)	3 (42.86%)	8 (72.73%)	16 (53.33%)
Female	Person (%)	7 (58.33%)	4 (57.14%)	3 (27.27%)	14 (46.67%)
Workforce By Age					
<31	Person (%)	5 (41.67%)	1 (14.29%)	5 (45.45%)	11 (36.67%)
31-50	Person (%)	6 (50.00%)	5 (71.43%)	5 (45.45%)	16 (53.33%)
>50	Person (%)	1 (8.33%)	1 (14.29%)	1 (9.09%)	3 (10.00%)

19 Workforce at Jardine Center are on-site employees employed under JLL.

ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment – Emissions, Waste management, Resources Management
KPI A1.1	The types of emissions and respective emissions data.	Environment – Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Emissions, Sustainability Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environment – Waste Management, Sustainability Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environment – Emissions
KPA A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environment – Waste Management

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment – Resources Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environment – Resources Management, Sustainability Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment – Resources Management, Sustainability Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environment – Resources Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environment – Resources Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	As a property investor, we do not consume any packaging material within our service-oriented operations.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or explanation
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social – Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Sustainability Performance
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	N/A
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social – Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Zero work-related fatality has been recorded within Reporting Period.
KPI B2.2	Lost days due to work injury.	Social – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Social – Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category	N/A

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or explanation
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social – Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social – Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Social – Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Operating Practices – Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices – Responsible Operation
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices – Business Conduct
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices – Responsible Operation
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Operating Practices – Responsible Operation

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or explanation
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practice – Business Conduct
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Operating Practice – Business Conduct
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operating Practice – Business Conduct
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social – Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social – Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Social – Community

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TO THE SHAREHOLDERS OF
ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongchang International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 148, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months period from 1 April 2018 to 31 December 2018, 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 December 2018, and of its consolidated financial performance and its consolidated cash flows for the nine months period from 1 April 2018 to 31 December 2018 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 *Auditors' 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 matter	How our audit address the key audit matter
Valuation of investment properties	
Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 4 to the consolidated financial statements.	
Management has estimated the fair value of the Group's investment properties to be HK$1,946,700,000 as at 31 December 2018, with net gain in fair value for the nine months period from 1 April 2018 to 31 December 2018 recorded in the consolidated statement of profit or loss and other comprehensive income of HK$19,200,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market unit value of comparable properties, market rental and assuming the properties are capable of being sold in the existing state.	Our procedures in relation to management's determination of the valuation of the investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; and • Checking, on sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

OTHER INFORMATION

The directors 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 auditors' report thereon (the "Other Information").

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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body in accordance with section 90 of the Companies Act 1981 of Bermuda, 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Tsz Chun
Practising Certificate Number: P06901

Hong Kong, 22 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the nine months ended 31 December 2018

	Notes	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Revenue	6	**32,787**	47,241
Other gains and (losses), net	8	**4,235**	(169)
Net gain in fair value of investment properties	18	**19,200**	20,500
Staff costs	9	**(5,668)**	(10,373)
Depreciation of property, plant and equipment	17	**(655)**	(840)
Other operating expenses		**(10,768)**	(19,310)
Profit from operations	9	**39,131**	37,049
Finance costs	10	**(18,304)**	(21,707)
Net gain on disposal of subsidiaries	32	**–**	5,375
Net gain on disposal of an investment property	11	**–**	4,950
Profit before taxation		**20,827**	25,667
Taxation	14	**(3,486)**	(4,965)
Profit for the period/year		**17,341**	20,702
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(102)**	(18)
Other comprehensive loss for the period/year, net of tax		**(102)**	(18)
Total comprehensive income for the period/year		**17,239**	20,684
Profit for the period/year attributable to the owners of the Company		**17,341**	20,702
Total comprehensive income for the period/year attributable to the owners of the Company		**17,239**	20,684
EARNINGS PER SHARE			
– Basic (in HK cents)	16	**1.54**	1.90
– Diluted (in HK cents)	16	**1.53**	1.89

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	31 December 2018 HK$'000	31 March 2018 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2,855**	2,858
Investment properties	18	**1,946,700**	1,927,500
		1,949,555	1,930,358
CURRENT ASSETS			
Trade and other receivables	19	**7,872**	2,808
Derivative financial instruments	23	**728**	19
Tax recoverable		**250**	121
Cash and bank balances	20	**1,015,021**	749,153
		1,023,871	752,101
CURRENT LIABILITIES			
Other payables, accruals and rental deposits received, current portion	21	**8,159**	8,788
Bank borrowings, current portion (secured)	22	**25,710**	17,100
Tax payable		**1,417**	79
		35,286	25,967
NET CURRENT ASSETS		**988,585**	726,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,938,140**	2,656,492
NON-CURRENT LIABILITIES			
Other payable and rental deposits received, non-current portion	21	**8,240**	6,312
Bank borrowings, non-current portion (secured)	22	**814,160**	552,900
Convertible notes	24	**8,761**	8,037
Deferred tax liabilities	25	**10,671**	10,174
		841,832	577,423
NET ASSETS		**2,096,308**	2,079,069
CAPITAL AND RESERVES			
Share capital	26	**112,502**	112,502
Reserves	27	**1,983,806**	1,966,567
TOTAL EQUITY		**2,096,308**	2,079,069

These consolidated financial statements were approved and authorised for issue by the board of directors on 22 March 2019 and signed on its behalf by:

WANG Junyong
Director

FAN Xuerui
Director

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2018

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 27)	Capital reserve HK$'000 (note 27)	Exchange reserve HK$'000 (note 27)	Share-based payment reserve HK$'000 (note 27)	Convertible notes equity reserve HK$'000 (note 27)	Contributions from shareholders HK$'000 (note 27)	Contribution surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017	102,904	66,446	9,628	780	–	23,323	36,783	245,461	170,701	1,571,091	2,227,117
Profit for the year	–	–	–	–	–	–	–	–	–	20,702	20,702
Other comprehensive loss, net of income tax:											
Items that may be reclassified subsequently to profit or loss:											
Exchange difference on translating foreign operations	–	–	–	–	(18)	–	–	–	–	–	(18)
Total comprehensive income for the year	–	–	–	–	(18)	–	–	–	–	20,702	20,684
Exercise of share options (note 26)	3,067	46,086	–	–	–	(15,923)	–	–	–	–	33,230
Release of deferred tax liability upon conversion of convertible notes (note 25)	–	–	–	–	–	–	3,358	–	–	–	3,358
Issue of shares upon conversion of convertible notes (note 26)	6,531	55,768	–	–	–	–	(34,522)	–	–	–	27,777
Final dividend declared and paid	–	–	–	–	–	–	–	–	(170,701)	(62,396)	(233,097)
Release upon disposal of subsidiaries	–	–	–	–	–	–	–	(11,855)	–	11,855	–
Release upon deregistration of a subsidiary	–	–	–	(780)	–	–	–	–	–	780	–
Release of share options reserve upon cancellation of share options	–	–	–	–	–	(7,400)	–	–	–	7,400	–
At 31 March 2018 and 1 April 2018	112,502	168,300	9,628	–	(18)	–	5,619	233,606	–	1,549,432	2,079,069
Profit for the period	–	–	–	–	–	–	–	–	–	17,341	17,341
Other comprehensive loss, net of income tax:											
Items that may be reclassified subsequently to profit or loss:											
Exchange difference on translating foreign operations	–	–	–	–	(102)	–	–	–	–	–	(102)
Total comprehensive income for the period	–	–	–	–	(102)	–	–	–	–	17,341	17,239
At 31 December 2018	**112,502**	**168,300**	**9,628**	**-**	**(120)**	**-**	**5,619**	**233,606**	**-**	**1,566,773**	**2,096,308**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the nine months ended 31 December 2018

	Notes	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**20,827**	25,667
Adjustments for:			
Depreciation of property, plant and equipment	17	**655**	840
Net gain in fair value changes of investment properties	18	**(19,200)**	(20,500)
Net gain on disposal of an investment property	11	**–**	(4,950)
Net gain on disposal of subsidiaries	32	**–**	(5,375)
Interest income	8	**(3,439)**	(923)
Interest expenses	10	**18,304**	21,707
Impairment loss on trade receivables	19	**–**	25
Reversal of impairment on trade receivables	19	**–**	(58)
Written-off of property, plant and equipment		**–**	442
Forfeiture of convertible note interest payable	8	**–**	(1,536)
Change in fair value of derivative financial asset component of convertible notes	8	**(709)**	3,199
Operating cash flows before changes in working capital		**16,438**	18,538
Increase in trade and other receivables		**(5,041)**	(1,203)
Increase/(decrease) in other payables, accruals and rental deposits received		**585**	(2,509)
CASH GENERATED FROM OPERATIONS		**11,982**	14,826
Interest paid		**(16,866)**	(19,881)
Income tax paid		**(1,780)**	(3,001)
NET CASH USED IN OPERATING ACTIVITIES		**(6,664)**	(8,056)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(652)**	(40)
Proceeds from disposal of investment property	11	**–**	205,000
Net cash inflow from disposal of subsidiaries	32	**–**	954,140
Interest received		**3,416**	912
NET CASH GENERATED FROM INVESTING ACTIVITIES		**2,764**	1,160,012
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans raised		**287,000**	570,000
Repayment of bank loans		**(17,130)**	(1,173,025)
Issue of shares pursuant to exercise of share options		**–**	33,230
Final dividend paid		**–**	(233,097)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**269,870**	(802,892)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**265,970**	349,064
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		**749,153**	400,107
Effect of foreign exchange rate changes		**(102)**	(18)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	20	**1,015,021**	749,153

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company acts as an investment holding company and the principal activities of the Group are property leasing and development and prevision of property project management services.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

At 31 December 2018, the controlling shareholder of the Company is Sansheng Hongye (Hong Kong) Limited, a company incorporated in Hong Kong.

2. CHANGE OF COMPANY NAME AND FINANCIAL YEAR END DATE

Following the passing of a special resolution at the SGM of the Company held on 24 May 2018, the English name of the Company was changed from "Henry Group Holdings Limited" to "Zhongchang International Holdings Group Limited" and "中昌國際控股集團有限公司" was adopted to replace its existing secondary name in Chinese "鎮科集團控股有限公司" which is used for identification purpose only.

In April 2018, the Board resolved to change the financial year end date of the Company from 31 March to 31 December effective from 31 December 2018 in order to align the financial year end date of the Company with that of the controlling shareholder of the Company, being Sansheng Hongye, and the ultimate holding company of the Company. The consolidated financial statements presented for the current period therefore cover a nine-month period from 1 April 2018 to 31 December 2018. The corresponding comparative amounts presented on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes, which are prepared for the period from 1 April 2017 to 31 March 2018, may not be comparable with amounts shown for the current period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and amendments to HKFRSs") issued by the HKICPA that are relevant to its operations and effective for annual periods on or after 1 April 2018.

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

Upon adoption this requirement under HKFRS 15 resulted in immaterial impact to the consolidated financial statements. Thus there was no impact on the Group's consolidated statement of financial position as of 1 April 2018.

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, and (2) expected credit losses ("ECL") for financial assets and other items (for example, rental receivables).

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

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognized financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost except derivative financial instruments which are continued to be recognised at fair value under HKFRS 9 are financial assets at fair value through profit or loss.

Impairment under ECL model

Trade receivables
The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 April 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under HKAS 39.

ECL for other financial assets at amortised cost, including cash and bank balances and other receivables are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 April 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
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 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

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

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 lessee by lessees, except for short-term 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 Group currently presents other operating lease payments as operating cash flows. Under 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 and financing cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carried 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue not yet effective (Continued)

HKFRS 16 Leases (Continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$1,419,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under 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 upon the application of HKFRS 16. The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial positions.

4. SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") 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 of Hong Kong Limited and by the disclosures requirements of the Hong Kong Companies Ordinance ("CO").

(ii) Basis of preparation of financial statements

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Basis of preparation of financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, 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 principal accounting policies are set out below.

(iii) 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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current liability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Basis of consolidation (Continued)

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 component 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.

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

All intra-group assets and liabilities, equity, income, 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 including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, 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 previous 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) 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 acquire 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 at the acquisition date. If, after reassessment, the net of the acquisition-date amounts 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 may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(v) Property, plant and equipment

Property, plant and equipment 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 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. The principal annual rates used for the current period are as follows:

Leasehold improvements	50% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 25%

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Investment properties

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

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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 profit or loss in the period in which the property is derecognised.

(vii) Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 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 individual asset, 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (before the adoption of HKFRS 9 as at 1 April 2018)

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

Financial assets are classified into loans and receivables and available-for-sale 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 of financial assets 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 other than those financial assets classified as fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (before the adoption of HKFRS 9 as at 1 April 2018) (Continued)

(a) *Financial assets (Continued)*

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies; (ii) held for trading, or (iii) it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses on remeasurement recognised in profit or loss.

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 and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (before the adoption of HKFRS 9 as at 1 April 2018) (Continued)

(a) Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses recognised in respect of trade and other receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amount held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are credited to comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (before the adoption of HKFRS 9 as at 1 April 2018) (Continued)

(b) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance to 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 a group entity are recognised at the proceeds received, net of direct issue costs.

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 premium 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.

Financial liabilities at amortised cost

Other financial liabilities including other payables and accruals and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

(c) Convertible notes

The component parts of the convertible notes issued by the Company are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. A redemption option that will be settled by the exchange of a fixed amount of cash or another financial asset is a redemption option derivative.

At the date of issue, both the liability component and redemption option derivative are recognised at fair value. In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (before the adoption of HKFRS 9 as at 1 April 2018) (Continued)

(c) Convertible notes (Continued)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability component, equity component and derivative financial asset component in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to the equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method. Transaction costs relating to the derivative financial asset component are charged to profit or loss immediately.

(d) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 derecognised financial liabilities 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.

(ix) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an in significant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

Financial assets

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically

a. debt instruments 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 amount outstanding ("SPPI"), are subsequently measured at amortised cost;

b. debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

c. all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies, in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) (Continued)

Amortised cost and 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.

For financial instruments other than purchased or originated credit-impaired financial assets, 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) excluding expected credit losses ("ECLs"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) (Continued)

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL:

(a) Trade receivables

(b) Deposit, loan and other receivables

(c) cash and bank balances

ECLs are required to be measured through a loss allowance at an amount equal to:

(a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage l); or

(b) Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

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

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) (Continued)

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

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

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

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

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) (Continued)

Write-off policy

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

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) (Continued)

Measurement and recognition of ECLs (Continued)

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for ECL are presented in the consolidated statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the combined statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the consolidated statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred 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 is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Financial instruments (under the adoption of HKFRS 9 as at 1 January 2018) (Continued)

Financial liabilities and equity

Debt and equity instruments that are issued are classified as other financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including trade and other payables, borrowings and bonds payable are subsequently measured at amortised cost using the 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 through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled 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.

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.

(xi) 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 the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

(xiii) Short-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.

(xiv) Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

(xv) Provisions

Provisions are recognised when the Group has present obligation (legal or constructive) has arisen as a result of a past event, it is probable that the Group will be required to settle obligation, and a reliable estimate can be made of the amount of the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xv) Provisions (Continued)

The amount recognised for a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(xvi) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(xvii) Taxation

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

Current Tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of items 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xvii) Taxation (Continued)

Deferred Tax

Deferred tax liabilities are recognised for taxable temporary differences arising on 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of 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 rates (and tax laws) that have been enacted or substantively enacted by the end of 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 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. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 Income Taxes (i.e. based on the expected manner as to how the properties will be recovered).

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.

(xviii) Borrowing costs

All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xix) Related party

A related party is a person or entity that is related to the entity that is preparing the financial statements:

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligation between related parties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xx) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(xxi) Revenue and other income recognition

Revenue from provision of property management services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these property management services based on statement issued by the Group's management agent using output method.

Revenue (before adoption of HKFRS 15 prior 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related tax.

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 described below:

Rental income from operating leases is recognised on a straight line basis over the terms of the relevant lease.

Service income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated impairment of trade and other receivables

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(c) Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. Management performs their analysis of fair value, based on various assumptions and estimates.

(d) Fair value of investment properties

As set out in note 18, investment properties were revalued as at 31 December 2018 on an open market value existing use basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(d) Fair value of investment properties (Continued)

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contract), adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flow.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

(e) Fair value of derivatives financial instruments and other financial instruments

As explained in note 24, the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

(f) Income taxes and deferred taxation

The Group is subjected to income taxes in Hong Kong and the People's Republic of China. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. REVENUE

The Group's revenue comprises:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Gross rental income from investment properties in Hong Kong	**28,955**	47,241
Property project management services income in PRC under HKFRS 15 recognised over time	**3,832**	–
	32,787	47,241

7. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(i) Property investment – leasing of investment properties in Hong Kong

(ii) Property project management services – provision of property project management services in the People's Republic of China (the "PRC")

No segment revenue and results are presented for the provision of property project management services as there is no revenue generated and expenses incurred for this segment during the year ended 31 March 2018.

No segment assets and liabilities are presented for the provision of property project management services as there are no such assets and liabilities allocated to this segment as at 31 March 2018.

7. SEGMENT INFORMATION (Continued)

Information regarding the above segments is reported below.

Segment revenue and profit

	Segment revenue		Segment profit	
	Nine months ended 31 December 2018	Year ended 31 March 2018	**Nine months ended 31 December 2018**	Year ended 31 March 2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property investment	**28,955**	47,241	**26,255**	42,518
Property project management services	**3,832**	–	**2,482**	–
Total	**32,787**	47,241	**28,737**	42,518
Other gains and (losses), net			**796**	(1,092)
Interest income			**3,439**	923
Corporate and other unallocated expenses			**(13,041)**	(25,800)
Net gain in fair value of investment properties			**19,200**	20,500
Finance costs			**(18,304)**	(21,707)
Net gain on disposal of subsidiaries			**–**	5,375
Net gain on disposal of an investment property			**–**	4,950
Profit before taxation			**20,827**	25,667

Segment profit represents the profit earned by each segment without allocation of corporate and other unalloctaed expenses, other gains and losses, net interest income, net gain in fair value of investment properties, finance costs, net gain on disposal of subsidiaries and net gain on disposal of an investment property. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the period/year reported.

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 31 December 2018

	Property investment HK$'000	Property project management services HK$'000	Total HK$'000
Segment assets	**1,977,990**	**12,977**	**1,990,967**
Unallocated			**982,459**
Consolidated assets			**2,973,426**
Segment liabilities	**865,337**	**797**	**866,134**
Unallocated			**10,984**
Consolidated liabilities			**877,118**

At 31 March 2018

	Property investment HK$'000	Total HK$'000
Segment assets	2,419,512	2,419,512
Unallocated		262,947
Consolidated assets		2,682,459
Segment liabilities	593,017	593,017
Unallocated		10,373
Consolidated liabilities		603,390

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

- all assets are allocated to operating segments other than property, plant and equipment, other receivables, derivative financial instruments and cash and bank balances pertaining to non-operating group entities.

- all liabilities are allocated to operating segments other than other payables and accruals, tax payables, convertible notes and deferred tax liabilities pertaining to non-operating group entities.

7. SEGMENT INFORMATION (Continued)

Other segment information

Nine months ended 31 December 2018

	Property investment HK$'000	Property project management services HK$'000	Unallocated HK$'000	Total HK$'000
Net gain in fair value of investment properties	**19,200**	**–**	**–**	**19,200**
Fair value gain of derivative financial assets component of convertible notes	**–**	**–**	**709**	**709**
Additions to non-current assets	**507**	**52**	**93**	**652**
Depreciation of property, plant and equipment	**(631)**	**(1)**	**(23)**	**(655)**

For the year ended 31 March 2018

	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Net gain in fair value of investment properties	20,500	–	20,500
Fair value loss of derivative financial assets component of convertible notes	–	(3,199)	(3,199)
Additions to non-current assets	–	40	40
Depreciation of property, plant and equipment	(824)	(16)	(840)
Written-off of property, plant and equipment	(442)	–	(442)
Impairment loss on trade receivables	(25)	–	(25)
Net gain on disposal of subsidiaries	5,375	–	5,375
Net gain on disposal of an investment property	4,950	–	4,950

Geographical information

The following tables set out information about the Group's revenue from external customers by geographical locations, based on the location at which the properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers	
	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Hong Kong	**28,955**	47,241
The PRC	**3,832**	–
	32,787	47,241

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	Non-current assets	
	31 December 2018 HK$'000	31 March 2018 HK$'000
Hong Kong	**1,949,504**	1,930,358
The PRC	**51**	–
	1,949,555	1,930,358

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for the period/year reported.

8. OTHER GAINS AND (LOSSES), NET

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Bank interest income	**3,439**	923
Fair value gain/(loss) of derivative financial asset component of convertible notes (note 24)	**709**	(3,199)
Reversal of impairment loss on trade receivables (note 19)	**–**	58
Compensation received from tenants	**–**	398
Forfeiture of convertible notes interest payable	**–**	1,536
Net exchange gain	**87**	–
Sundry income	**–**	115
	4,235	(169)

9. PROFIT FROM OPERATIONS

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Profit from operations is arrived at after charging/(crediting):		
Directors' emoluments (note 12)	**962**	4,989
Other staff costs:		
Salaries and allowances	**4,318**	5,074
Retirement benefit scheme contributions	**83**	96
Social security contributions	**224**	–
Other benefits in kind	**81**	214
	4,706	5,384
Total staff costs	**5,668**	10,373
Net exchange (gain)/loss	**(87)**	3
Auditors' remuneration		
– Audit services	**750**	750
– Non-audit services	**–**	430
Depreciation of property, plant and equipment (note 17)	**655**	840
Written-off of property, plant and equipment	**–**	442
Impairment loss on trade receivables (note 19)	**–**	25
Gross rental income from investment properties	**(28,955)**	(47,241)
Less: Direct operating expenses from investment properties that generated rental income during the period/year	**2,700**	4,723
	(26,255)	(42,518)

10. FINANCE COSTS

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	**16,005**	2,492
– wholly repayable after five years	**–**	11,688
Other finance costs	**1,435**	5,495
Effective interest expense on convertible notes (note 24)	**864**	2,032
	18,304	21,707

11. NET GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

Net gain on disposal of an investment property arose from the completion of disposal of the investment property – House No. 12, Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong at a consideration of HK$205,000,000 in August 2017.

	Year ended 31 March 2018 HK$'000
Sales proceeds	205,000
Less:	
– Carrying amount of an investment property	(198,000)
– Transaction costs attributable to the disposal of an investment property	(2,050)
Net gain on disposal of an investment property	4,950

12. DIRECTORS' EMOLUMENTS

Directors' remuneration for the period/year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

Nine months ended 31 December 2018

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Wang Junyong (note (a))	**–**	**–**	**–**	**–**
Fan Xuerui (note (a))	**–**	**150**	**2**	**152**
Sun Meng (note (a))	**–**	**–**	**–**	**–**
Sun Feng (note (b))	**–**	**–**	**–**	**–**
Lai Hing Kwok (note (c))	**–**	**–**	**–**	**–**
Li Guang (note (d))	**–**	**–**	**–**	**–**
	–	**150**	**2**	**152**
Independent non-executive directors				
Hung Ka Hai Clement (note (a))	**270**	**–**	**–**	**270**
Liew Fui Kiang (note (a))	**270**	**–**	**–**	**270**
Wong Sai Tat (note (a))	**270**	**–**	**–**	**270**
	810	**–**	**–**	**810**
Total	**810**	**150**	**2**	**962**

12. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 March 2018

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Wang Junrong (note (a))	–	–	–	–
Fan Xuerui (note (a))	–	–	–	–
Sun Meng (note (a))	–	–	–	–
Sun Feng (note (b))	–	–	–	–
Ng Ian (note (e))	3	2,526	16	2,545
Chan Kwok Hung (note (e))	–	1,497	17	1,514
	3	4,023	33	4,059
Non-executive directors				
Mak Wah Chi (note (e))	437	–	–	437
Ng Chun For, Henry (note (e))	7	–	–	7
	444	–	–	444
Independent non-executive directors				
Hung Ka Hai Clement (note (a))	78	–	–	78
Liew Fui Kiang (note (a))	78	–	–	78
Wong Sai Tat (note (a))	78	–	–	78
Li Kit Chee (note (e))	84	–	–	84
Chan Kam Man (note (e))	84	–	–	84
Chu Tak Sum (note (e))	84	–	–	84
	486	–	–	486
Total	933	4,023	33	4,989

Notes:

(a) Appointed on 12 January 2018.

(b) Appointed on 12 January 2018 and resigned on 23 October 2018.

(c) Appointed on 6 September 2018.

(d) Appointed on 23 October 2018.

(e) Resigned on 2 February 2018.

12. DIRECTORS' EMOLUMENTS (Continued)

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of each of the nine months ended 31 December 2018 and year ended 31 March 2018.

No emoluments were paid or payable by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the nine months ended 31 December 2018 and year ended 31 March 2018. No directors waived or agreed to waive any remuneration during the nine months ended 31 December 2018 and year ended 31 March 2018.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 March 2018 included two directors, details of whose remuneration are set out in Note 12 above. Details of the remuneration for the period of the remaining five (year ended 31 March 2018: three) highest paid employees who are neither a director or chief executive of the Company are as follows:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Salaries, allowances and other benefits	**2,535**	4,078
Contributions to retirement benefit schemes	**54**	54
Social security contributions	**35**	–
	2,624	4,132

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

	No. of individuals	
	Nine months ended 31 December 2018	Year ended 31 March 2018
HK$300,001-HK$500,000	**4**	–
HK$500,001 – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**–**	1
	5	3

13. FIVE HIGHEST PAID EMPLOYEES (Continued)

The emoluments of senior management (excluding the directors as disclosed in Note 12) are within the following bands:

	No. of senior management	
	Nine months ended 31 December 2018	Year ended 31 March 2018
HK$300,001 – HK$500,000	**2**	–
HK$500,001 – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**–**	1
	3	3

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the nine months ended 31 December 2018 and year ended 31 March 2018. No five highest paid individuals waived or agreed to waive any remuneration during the nine months ended 31 December 2018 and year ended 31 March 2018.

14. TAXATION

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Current tax		
Hong Kong		
– Provision for the period/year	**2,293**	2,493
– Under provision in prior years	**175**	1,363
	2,468	3,856
The People's Republic of China		
– Enterprise income tax	**521**	–
	2,989	3,856
Deferred taxation		
– Charged to the consolidated statement of profit or loss and other comprehensive income (note 25)	**497**	1,109
	3,486	4,965

14. TAXATION (Continued)

(a) (Continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for the year ended 31 March 2018.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 April 2008 onwards.

(b) The taxation charge for the period/year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Nine months ended 31 December 2018 HK$'000	**%**	Year ended 31 March 2018 HK$'000	%
Profit before taxation	**20,827**		25,667	
Tax at the Hong Kong profits tax rate of 16.5% (year ended 31 March 2018:16.5%)	**3,436**	**16.5**	4,235	16.5
Tax effect of expenses not deductible for tax purpose	**4,356**	**20.9**	7,325	28.5
Tax effect of income not taxable for tax purpose	**(4,828)**	**23.2**	(7,131)	(27.8)
Under provision in respect of prior years	**175**	**0.8**	1,363	5.3
Statutory tax concession	**(165)**	**(0.8)**	–	–
Utilisation of tax losses previously not recognised	**–**	**–**	(1,902)	(7.4)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**172**	**0.8**	–	–
Tax effect of tax losses not recognised	**340**	**1.6**	1,075	4.2
Taxation for the period/year	**3,486**	**16.7**	4,965	19.3

15. DIVIDENDS

The directors do not recommend dividend for the nine months ended 31 December 2018 (for the year ended 31 March 2018: Nil).

16. EARNINGS PER SHARE

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

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**17,341**	20,702
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of tax	**744**	–
Fair value gain of derivative financial asset component of convertible notes	**(709)**	–
Earnings for the purpose of diluted earnings per share	**17,376**	20,702

	Nine months ended 31 December 2018 '000	Year ended 31 March 2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,125,027**	1,088,148
Effect of dilutive potential ordinary shares:		
(i) Share options	**–**	4,421
(ii) Convertible notes	**13,716**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,138,743**	1,092,569

The diluted earnings per share for the nine months ended 31 December 2018 and for the year ended 31 March 2018 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 March 2018, the outstanding share options were assumed to have been converted into ordinary shares.

For the year ended 31 March 2018, the Company's outstanding convertible notes were not included in the calculation of diluted earnings per share because the effect of which were anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture fixtures and equipment HK$'000	Total HK$'000
COST			
At 1 April 2017	4,056	1,365	5,421
Additions	–	40	40
Written-off	–	(1,069)	(1,069)
At 31 March 2018 and 1 April 2018	4,056	336	4,392
Additions	507	145	652
At 31 December 2018	4,563	481	5,044
ACCUMULATED DEPRECIATION			
At 1 April 2017	562	759	1,321
Provided for the year	776	64	840
Written-off	–	(627)	(627)
At 31 March 2018 and 1 April 2018	1,338	196	1,534
Provided for the period	614	41	655
At 31 December 2018	1,952	237	2,189
CARRYING VALUES			
At 31 December 2018	**2,611**	**244**	**2,855**
At 31 March 2018	2,718	140	2,858

The above items of property, plant and equipment are depreciated on a straight-line basis at the followings rates per annum:

Leasehold improvements	50% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 25%

18. INVESTMENT PROPERTIES

	Completed investment properties, in Hong Kong HK$'000
FAIR VALUE:	
At 1 April 2017	3,065,000
Disposed during the year (note 11)	(198,000)
Disposed through disposal of subsidiaries (note 32)	(960,000)
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	20,500
At 31 March 2018 and 1 April 2018	1,927,500
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	19,200
At 31 December 2018	**1,946,700**
Unrealised net gain in fair value of investment properties included in profit or loss	19,200

(a) The analysis of the carrying amount of investment properties is as follows:

	31 December 2018 HK$'000	31 March 2018 HK$'000
In Hong Kong		
– long-term leases	**1,946,700**	1,927,500

(b) Pledge of investment properties

Investment properties with a carrying amount in aggregate of HK$1,655,000,000 (31 March 2018: HK$1,763,000,000) are pledged to several banks for Group's borrowings, details of which set out in note 22.

18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2018 has been arrived at on the basis of a valuation carried out on the respective dates by CBRE Limited (31 March 2018: Savills Valuation and Professional Services Limited), independent qualified professional valuers not connected to the Group.

CBRE Limited and Savills Valuation and Professional Services Limited are members of the Institute of Valuers in Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on i) sales comparison approach, which involves an analysis of sales transactions of comparable properties within the neighbourhood area of the property; and (ii) income capitalisation approach, which involves estimating the rental incomes of the property and capitalising them all on appropriate rate to produce a capital value respectively.

At each financial year end, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) holds discussion with the independent valuer.

Changes in level 2 and 3 fair values are analysed at each reporting date by the management of the Group.

The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 31 March 2018 are as follows:

	Level 2	**Level 3**	**Fair values as at 31 December 2018**
	HK$'000	**HK$'000**	**HK$'000**
Residential units located in Hong Kong	**–**	**14,700**	**14,700**
Commercial units located in Hong Kong	**432,000**	**1,500,000**	**1,932,000**
Total	**432,000**	**1,514,700**	**1,946,700**

	Level 2	Level 3	Fair values as at 31 March 2018
	HK$'000	HK$'000	HK$'000
Residential units located in Hong Kong	–	14,500	14,500
Commercial units located in Hong Kong	423,000	1,490,000	1,913,000
Total	423,000	1,504,500	1,927,500

For certain residential units and commercial units located in Hong Kong with Level 2 fair value hierarchy, the fair value was derived using the sales comparison approach based on recent market prices without any significant adjustments being made to the market observable data.

18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties (Continued)

	Fair value 31 December 2018 HK$'000	31 March 2018 HK$'000	Valuation technique	Significant unobservable inputs	Sensitivity
Investment properties located in Hong Kong	**432,000**	423,000	Sales comparison approach	Market unit value, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in market unit value used would result in significant increase in fair value, and vice versa.
Investment properties located in Hong Kong	**1,514,700**	1,504,500	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental, income potential, nature of property, and prevailing market condition, of 2.2% to 3.0% (31 March 2018:2.25% to 3.0% per annum).	The higher the capitalisation rate, the lower the fair value.
				Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used result in significant increase in fair value, and vice versa.

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

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

18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group investment properties (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Residential properties in Hong Kong HK$'000	Commercial properties in Hong Kong HK$'000	Total HK$'000
Carrying amount at 1 April 2017	14,000	2,430,000	2,444,000
Fair value changes	500	20,000	20,500
Disposed on disposal of subsidiary during the period	–	(960,000)	(960,000)
Carrying amount at 31 March 2018 and 1 April 2018	14,500	1,490,000	1,504,500
Fair value changes	200	10,000	10,200
Carrying amount at 31 December 2018	**14,700**	**1,500,000**	**1,514,700**

The Group believes that any possible changes in the input values would not cause significant change in fair value of investment properties.

19. TRADE AND OTHER RECEIVABLES

	31 December 2018 HK$'000	31 March 2018 HK$'000
Rental receivables	**1,784**	1,383
Property project management service receivables	**3,957**	–
	5,741	1,383
Less: Impairment loss on trade receivables	**–**	–
	5,741	1,383
Other receivables and prepayments	**2,131**	1,425
	7,872	2,808

(i) Rentals and deposits are receivable in advance from tenants pursuant to the Group's lease agreements entered into with all tenants.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The trade receivables mainly consist rental receivables. The rental receivables are payable in advance by tenants.

19. TRADE AND OTHER RECEIVABLES (Continued)

(ii) The trade receivables included in trade and other receivables mainly consist of (i) rental receivables; and (ii) receivables on property project management service income. Rentals and deposits are payable in advance by tenants.

The ageing analysis of the Group's rental receivables are as follows:

	31 December 2018 HK$'000	31 March 2018 HK$'000
Effective rental receivables (0 days)	**1,690**	1,220
Up to 30 days	**94**	163
	1,784	1,383

(iii) As disclosed in the announcement of the Company dated 21 August 2018 and the circular of the Company dated 13 September 2018, the project management fee shall be payable within 12 days from end of each quarter based on the quarterly construction progress report pursuant to the project management master agreement entered into between 佛山銘舟工程管理諮詢有限公司 (Foshan Mingzhou Construction Management Consultancy Company Limited*, "Mingzhou Consultancy"), an indirect wholly-owned subsidiary of the Company and Shanghai Sansheng Hongye Investment (Group) Company Limited* ("Shanghai Sansheng", holding company of the controlling Shareholder) in relation to the provision of project management services (the "Project Management Master Agreement").

The ageing analysis of the Group's property project management service receivables are as follow:

	31 December 2018 HK$'000	31 March 2018 HK$'000
0-30 days	**3,957**	–

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	31 March 2018 HK$'000
Neither past due nor impaired	1,220
Less than 1 month past due	163
	1,383

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

19. TRADE AND OTHER RECEIVABLES (Continued)

(iv) (Continued)

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(v) Movements in the allowance for doubtful debts:

	31 December 2018 HK$'000	31 March 2018 HK$'000
At the beginning of the period/year	–	58
Impairment loss recognised on trade receivables	–	25
Amounts recovered during the period/year	–	(58)
Amounts written-off as uncollectible during the period/year	–	(25)
At the end of the period/year	–	–

As at 31 March 2018, included in the impairment loss on trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$25,000 as the directors consider that the outstanding amount were not recoverable.

Detail of assessment for expected credit loss under HKFRS 9 are disclosed in note 39(i).

20. CASH AND BANK BALANCES

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and bank balances. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flow can be reconciled to the related items in the consolidated statement of financial position as follows:

	31 December 2018 HK$'000	31 March 2018 HK$'000
Cash and bank balances	**671,090**	740,143
Time deposits	**343,931**	9,010
	1,015,021	749,153

Cash and bank balances comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.01% to 2.73% (31 March 2018: 0.01% to 1.10%) per annum and have original maturity of three months or less.

As at 31 December 2018, the cash and bank balances of the Group included currencies denominated in Renminbi amounted to approximately HK$9,101,000 (31 March 2018: HK$33,000).

21. OTHER PAYABLES, ACCRUALS AND RENTAL DEPOSITS RECEIVED

	31 December 2018 HK$'000	31 March 2018 HK$'000
Rental deposits received	**11,505**	10,075
Accruals and other payables	**3,948**	4,837
	15,453	14,912
Advance rental received	**946**	188
	16,399	15,100
Less: Other payables and rental deposits received – Non-current portion	**(8,240)**	(6,312)
	8,159	8,788

22. BANK BORROWINGS – SECURED

	31 December 2018 HK$'000	31 March 2018 HK$'000
Bank loans	**839,870**	570,000
Less: Current portion	**(25,710)**	(17,100)
Non-current portion	**814,160**	552,900

The carrying amount of the above bank borrowings are repayable as follows:

	31 December 2018 HK$'000	31 March 2018 HK$'000
On demand or within one year	**25,710**	17,100
Within a period of more than one year but within two years	**25,710**	17,100
Within a period of more than two years but within five years	**788,450**	535,800
	839,870	570,000
Less: Amounts due within one year shown under current liabilities	**(25,710)**	(17,100)
Amounts shown under non-current liabilities	**814,160**	552,900

22. BANK BORROWINGS – SECURED (Continued)

On 20 March 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$570,000,000. Pursuant to the terms of the aforesaid loan agreement, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

On 15 June 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement with a financial institution for a term loan facility in the principal amount of HK$212,00,000. On the same day, each of Smart Land Properties Limited and Pioneer Delight Limited, both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$50,000,000 and HK$25,000,000. Pursuant to the terms of the aforesaid loan agreements, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

As at 31 December 2018, bank borrowings with total outstanding principal amounts of HK$839,870,000 (31 March 2018: HK$570,000,000) bearing floating interest rate at HIBOR and a fixed margin rate of 1.25% plus under certain banking facilities granted to the Company's subsidiary provided by a bank in Hong Kong (31 March 2018: bearing floating interest rate as HIBOR and a fixed margin rate of 1.25% plus under certain banking factures granted to the Company's subsidiaries provided by several banks in Hong Kong). These bank borrowings are secured by the Group's investment properties in Hong Kong of HK$1,655,000,000 (31 March 2018: HK$1,763,000,000), rental assignments in respect the investment properties, share mortgage of several subsidiaries of the Company and corporate guarantees to the extent of HK$857,000,000 (31 March 2018: HK$570,000,000) given by the Company.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2018 HK$'000	31 March 2018 HK$'000
Current assets:		
Derivative financial asset component of convertible notes (note 24)	**728**	19

24. CONVERTIBLE NOTES

The Company issued in aggregate of HK$125,000,000 1.68% convertible notes on 7 December 2015 (the "Issue Date") and recognised its book as of fair values appraised by BMI Appraisals Limited, being an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "Maturity Date") at a conversion price of HK$0.934 per share per convertible notes. With effect from 24 August 2017, being the date immediately after the record date for determining the entitlement to the final dividend for the year ended 31 March 2017, the conversion price of convertible notes was adjusted to HK$0.802 per conversion share in accordance with the terms and conditions of convertible notes. If the notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on maturity date.

The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the"Redeemed Principal"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the Company redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date.

The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading "convertible notes equity reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 13.73% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	At 5 June 2017	At 31 March 2018	**At 31 December 2018**
Risk-free rate	0.82%	1.58%	**1.82%**
Expected life	3.51 years	2.69 years	**1.94 years**
Expected volatility	69.08%	64.38%	**56.38%**
Expected dividend yield	Nil	Nil	**7.97%**

24. CONVERTIBLE NOTES (Continued)

The movement of the equity component, liability component and redemption option derivative of the convertible notes for the period/year is set out below:

	Liability component HK$'000	Equity component HK$'000	Redemption option derivative component HK$'000	Total HK$'000
At 1 April 2017	47,018	36,783	(16,085)	67,716
Effective interest charged (note 10)	2,032	–	–	2,032
Interest payable	(369)	–	–	(369)
Release of deferred tax liability upon conversion of convertible notes (note 25)	–	3,358	–	3,358
Conversion of convertible notes	(40,644)	(34,522)	12,867	(62,299)
Change in fair value of derivative financial asset component of convertible notes (note 8)	–	–	3,199	3,199
At 31 March 2018 and 1 April 2018	8,037	5,619	(19)	13,637
Effective interest charged (note 10)	864	–	–	864
Interest payable	(140)	–	–	(140)
Change in fair value of derivative financial asset component of convertible notes (note 8)	–	–	(709)	(709)
At 31 December 2018	**8,761**	**5,619**	**(728)**	**13,652**

On 5 June 2017, a holder of convertible notes exercised his conversion right to convert the principal amount of HK$61,000,000 out of HK$72,000,000 into 65,310,492 ordinary shares.

As at 31 December 2018, the outstanding principal of the convertible notes was approximately HK$11,000,000 (31 March 2018: HK$11,000,000).

25. DEFERRED TAX

	31 December 2018 HK$'000	31 March 2018 HK$'000
At 1 April	**10,174**	18,218
Release of deferred tax liability upon conversion of convertible notes (note 24)	**–**	(3,358)
Release of deferred tax liability upon disposal of subsidiaries (note 32)	**–**	(5,795)
Charged to consolidated statement of profit or loss and other comprehensive income (note 14)	**497**	1,109
At 31 December/31 March	**10,671**	10,174

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year/period were as follows:

	Depreciation allowances in excess of the related depreciation HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 April 2017	14,096	4,122	18,218
Release of deferred tax liability upon conversion of convertible notes (note 24)	–	(3,358)	(3,358)
Release of deferred tax liability upon disposal of subsidiaries (note 32)	(5,795)	–	(5,795)
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income (note 14)	1,384	(275)	1,109
At 31 March 2018 and 1 April 2018	9,685	489	10,174
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income (note 14)	617	(120)	497
At 31 December 2018	**10,302**	**369**	**10,671**

As at 31 December 2018, the Group had unused tax losses of approximately HK$49,330,000 (31 March 2018: approximately HK$46,570,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses of approximately HK$49,330,000(31 March 2018: approximately HK$46,570,000) due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

26. SHARE CAPITAL

	Number of shares		Amount	
	31 December 2018	31 March 2018	**31 December 2018**	31 March 2018
	Number '000	Number '000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.1 each				
At 1 April 2018/1 April 2017 and at 31 December 2018/31 March 2018	**2,000,000**	2,000,000	**200,000**	200,000
Issued and full paid:				
Ordinary shares of HK$0.1 each				
At 1 April 2018/1 April 2017	**1,125,027**	1,029,043	**112,502**	102,904
Issue of shares on exercise of the share options (note (a))	**–**	30,674	**–**	3,067
Issue of shares on conversion of convertible notes (note (b))	**–**	65,310	**–**	6,531
At 31 December 2018/31 March 2018	**1,125,027**	1,125,027	**112,502**	112,502

Notes:

a. During the year ended 31 March 2018, 4,065,756 ordinary shares and 26,607,290 ordinary shares of HK$0.10 each were issued as a result of exercise of share options under the share option scheme adopted by the Company in 2003 (the "2003 Scheme") and the Share Option Scheme respectively.

b. During the year ended 31 March 2018, a convertible note with principal amounted to HK$61,000,000 out of HK$72,000,000 was converted into 65,310,492 ordinary shares at its conversion price of HK$0.934 per share.

27. RESERVES

Nature of reserves

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

27. RESERVES (Continued)

Nature of reserves (Continued)

Capital reserve

The capital reserve represents capital contribution from a related company, a shareholder, and a non-controlling shareholder in the form of interest free loans. The amounts are estimated by discounting the nominal value of their non-interest bearing loans to the Group at current market interest rate for similar financial instruments.

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(xii)

Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors or employees of the Company recognised in accordance with the accounting policy adopted for share based payment set out in note 4(xi)(c).

Convertible notes equity reserve

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. If the convertible notes are not converted at the maturity date, the convertible notes equity reserve will be reclassified subsequently to profit or loss.

Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of three indirectly wholly owned subsidiaries – Seedtime International Limited and Uptodate Management Limited with their respective amount of approximately HK$11,855,000 and HK$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

During the year ended 31 March 2018, Seedtime International Limited was disposed and its attributable contributions from shareholders of approximately HK$11,855,000 were transferred to retained profits.

Contributed surplus

Pursuant to the approval of a special resolution at the SGM of the Company on 13 May 2015, the amount of approximately HK$720,617,000 standing to the credit of share premium has been reduced and transferred to the contributed surplus. The contributed surplus is a distributable reserve and will be used for payment of dividends and for such other purposes as allowed by the Companies Act 1981 of Bermuda.

28. CAPITAL COMMITMENTS

Save as disclosed elsewhere in the consolidated financial statements, as at 31 December 2018, the Group has no material capital commitments (31 March 2018: Nil).

29. OPERATING LEASES

The Group as lessee

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Minimum lease payments paid under operating leases during the period/year	**991**	1,206

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:

	31 December 2018 HK$'000	31 March 2018 HK$'000
Within one year	**1,146**	1,119
In the second to fifth year inclusive	**273**	573
	1,419	1,692

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse premises. Leases are negotiated for an average term of 2 years and rentals are fixed during the lease period.

The Group as lessor

Property rental income earned during the period was approximately HK$28,955,000 (year ended 31 March 2018: HK$47,241,000). The properties are expected to generate rental yields of 1.98% (31 March 2018: 1.85%) on an ongoing basis.

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

	31 December 2018 HK$'000	31 March 2018 HK$'000
Within one year	**29,786**	24,780
In the second to fifth year inclusive	**30,603**	13,799
	60,389	38,579

30. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 3 September 2013 (the "Share Option Scheme") upon the share option scheme, which was previously adopted on 3 September 2003 and lapsed on 2 September 2013.

The primary purpose of the Share Option Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

Pursuant to Note (2) to Rule 17.03(3) of the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercise under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the number of the Company's shares in issue from time to time. No options may be granted under any scheme of the Company if this will result in this 30% limit being exceeded.

The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the AGM held on 24 August 2018. The total number of issued shares of the Company as at 24 August 2018 was 1,125,027,072 and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares which represented 10% of the total number of issued shares as at 24 August 2018.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

At the beginning of the financial year on 1 April 2018, there was no outstanding share option. There is no movement in the share options granted to the directors, employees of the Company and other eligible participants under the Share Option Scheme during the nine month ended 31 December 2018. As at 31 December 2018, there was no outstanding share option under the Share Option Scheme.

Movements in the share options granted to the directors, employees of the Company and other eligible participants under the 2003 Scheme during the year ended 31 March 2018 were as follows:

			Number of share options					
	Date of grant	Exercise price HK$	Outstanding at 1 April 2017 '000	Granted during the year '000	Exercised during the year '000	Cancelled during the year '000	Outstanding at 31 March 2018 '000	Weighted average share price at the date of exercise HK$
Eligible participants	31 August 2007	1.1394	515	–	(515)	–	–	1.41
Employee	18 April 2011	0.6505	3,551	–	(3,551)	–	–	2.43
			4,066	–	(4,066)	–	–	

Movements in the share options granted to the directors, employees of the Company and other eligible participants under the Share Option Scheme during the year ended 31 March 2018 were as follows:

			Number of share options					
	Date of grant	Exercise price HK$	Outstanding at 1 April 2017 '000	Granted during the year '000	Exercised during the year '000	Cancelled during the year '000	Outstanding at 31 March 2018 '000	Weighted average share price at the date of exercise HK$
Directors	30 April 2014	1.0211	1,015	–	–	(1,015)	–	N/A
	5 September 2014	0.9100	2,850	–	–	(2,850)	–	N/A
	28 August 2015	0.8780	10,498	–	(5,300)	(5,198)	–	2.43
	31 March 2016	1.3820	4,517	–	–	(4,517)	–	N/A
	2 September 2016	1.1140	4,488	–	(4,488)	–	–	2.43
			23,368	–	(9,788)	(13,580)	–	
Eligible participants	30 April 2014	1.0211	7,102	–	(7,102)	–	–	2.43
	31 March 2016	1.3820	9,717	–	(9,717)	–	–	2.43
			16,819	–	(16,819)	–	–	
			40,187	–	(26,607)	(13,580)	–	

31. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK$1,500 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiaries operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The Group's contribution to aforementioned retirement benefits schemes for the nine months ended 31 December 2018 amounted to in aggregate of approximately HK$309,000 (year ended 31 March 2018: approximately HK$129,000).

32. DISPOSAL OF SUBSIDIARIES

On 13 December 2017, the Group disposed of the entire issued share capital of Seedtime International Limited for an aggregate consideration of HK$965,000,000 (subject to post-completion adjustments pursuant to the sales and purchase agreement entered on 13 July 2017). Based on the post-completion adjustments, the consideration was subsequently adjusted downwards from HK$965,000,000 to HK$963,307,000. The consolidated net assets of Seedtime International Limited and its subsidiary, Land Base Limited, at the date of disposal were as follows:

Consideration received:

	HK$'000
Cash received	963,307

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investment properties	960,000
Trade receivables	1,720
Deposits and other receivables	266
Bank balances	1,447
Other payables, accruals and rental deposits received	(5,032)
Provision for litigation	(2,300)
Amount due to holding company	(182,162)
Tax payable	(94)
Deferred tax liabilities	(5,795)
Net assets disposed of	768,050

Net gain on disposal of subsidiaries:

Consideration received	963,307
Assignment of amount due to holding company	(182,162)
Net assets disposed of	(768,050)
Transaction costs attributable to the disposal	(7,720)
Net gain on disposal	5,375

Net cash inflow arising from disposal

Cash consideration	963,307
Less: bank balances disposed of	(1,447)
Less: transaction costs attributable to the disposal	(7,720)
	954,140

33. 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:

	Bank borrowings HK$'000
At 1 April 2017	1,173,025
Changes in financing cash flows:	
New bank loan raised	570,000
Repayment of bank loans	(1,173,025)
At 31 March 2018 and 1 April 2018	570,000
Changes in financing cash flows:	
New bank loan raised	287,000
Repayment of bank loans	(17,130)
At 31 December 2018	**839,870**

34. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

(a) During the nine months ended 31 December 2018, the Group entered into the following material related party transactions:

Related party relationship	**Type of transactions**	**Nine months ended 31 December 2018 HK$'000**	Year ended 31 March 2018 HK$'000
Companies that are members of Shanghai Sansheng Hongye Investment (Group) Company Limited, ("Sansheng Hongye"), for which Sansheng Hongye is the common ultimate Shareholder	Property project management services income		
– 博羅縣翠華達房地產有限公司		**1,387**	–
– 鶴山市萬城地產發展有限公司		**695**	–
– 佛山市萊福利房地產開發有限公司		**719**	–
– 佛山茂國房地開發有限公司		**1,031**	–
		3,832	–

(b) Key management personnel remuneration represents amounts paid to the Company's directors and the highest paid employees as disclosed in notes 12 and 13 respectively.

35. PLEDGE OF ASSETS

As at 31 December 2018, the Group has pledged the following assets:

(1) Legal charges over certain investment properties in Hong Kong with an aggregate carrying amount of HK$1,655,000,000 (31 March 2018: HK$1,763,000,000) for securing certain bank borrowings granted from several banks to its wholly-owned subsidiaries;

(2) Share mortgage of several subsidiaries for securing their respective bank borrowings; and

(3) Rent assignments in respect of the investment properties held by the Group.

36. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Group on 9 December 2018 and the circular of the Group on 9 January 2019, Agile Scene Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, Sanshenghongye (BVI) Holdings Limited (the "Vendor") and Shanghai Sansheng Real Estate (Group) Company Limited entered into (as the Vendor's guarantor) the Agreement, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the entire issued share capital of High Morality Limited at the consideration of approximately RMB194.9 million (equivalent to approximately HK$222.2 million) (subject to adjustment) in cash. The Acquisition of High Morality Limited was completed in March 2019.

As disclosed in the announcements of the Group dated 4 February 2019 and 7 March 2019 and the circular of the Group dated 8 March 2019, the Group entered into an agreement with Sansheng BVI to acquire (i) a 49% of the issued share capital of Yitai International (BVI) Holdings Ltd (the "Target"), a company holds an indirect interest of 99% in a project company which in turn holds a land in Jinhua City, Zhejiang Province, the PRC; and (ii) a loan in the principal amount of RMB48.51 million owed by a subsidiary of the Target from Sansheng BVI's related party at a consideration of approximately RMB255.6 million. The land is being developed into a mixed-use residential and commercial development under the brand name of "頤景園" in two phases with a total gross floor area of approximately 337,530 sq.m..

37. CONTINGENT LIABILITIES

Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited signed between the Company, Rose City Group Limited (the "Vendor") and Prime Magic Holdings Limited (the "Purchaser") on 13 July 2017, the Company acts as guarantor in favour of the Purchaser for the disposal of entire issued share capital of Seedtime International Limited, which was completed on 13 December 2017.

The Company irrevocably and unconditionally guarantees to the Purchaser the due and punctual observance and performance by the Vendor of all its obligations undertaken in the agreement and the Vendor's warranties; and undertakes that if for any reason the Vendor fails to observe or perform any of such obligations and/or is in breach of any Vendor's warranties, it shall on demand observe or perform or procure the Vendor to observe or perform the same in respect of which the Vendor shall be in default and make good to the Purchaser and indemnify and hold harmless the Purchaser against all reasonable losses, damages, costs and expenses arising or incurred by the Purchaser as a result of such non-observance or non-performance

As at 31 December 2018, there was no relevant claims reported.

Save as disclosed aforesaid, the Group did not have any significant contingent liabilities as at 31 December 2018.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts (which includes bank borrowings and convertible notes), cash and bank balances and equity attributable to equity holders of the Company.

The Group's risk management actively and regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio, expressed as total liabilities over total assets, at the end of the reporting period was as follows:

	31 December 2018 HK$'000	31 March 2018 HK$'000
Total assets	**2,973,426**	2,682,459
Total liabilities	**877,118**	603,390
Gearing ratio	**29.5%**	22.5%

39. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

(i) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies with simplified approach to provide for expected credit losses presented by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss.

Rental receivables

The Group's credit risk is primarily attributable to its rental receivables. In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual debt 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.

39. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

Rental receivables (Continued)

As part of the Group's credit risk management, the Group assessed the ECL for each of the rental receivable individually. No impairment allowance for the remaining rental receivables was provided since the loss given default and exposure at default are significantly reduced as due to the low probability of default of those receivables based on historical credit loss experience and rental deposits received from those tenants. The directors of the Company have also considered reasonable and supportable best information available without undue cost or effort including historical evidences and forward looking information, such as, but not limited to, subsequent settlement, and concluded that there is no significant increase in credit risk.

As at 31 December 2018 and 31 March 2018 the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further quantitative disclosure of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

Property project management service receivables

As at 31 December 2018, the Group has concentration of credit risk on certain major customers of the property project management service. At the end of the reporting period, the five largest receivable balances accounted for approximately 100% of the property project management service receivables and the largest property project management service receivable attributable to the Group's property project management service receivables was approximately 36%. The customers are located in the PRC.

No allowance for impairment was made for property project management service receivables since the directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

The credit risk for cash and bank balances exposed is considered minimal as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid fund which are deposited with several banks with high credit ratings and save as disclose elsewhere in the financial statements, the Group does not have any other significant concentration of credit risk.

39. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The following tables detail the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
31 December 2018						
Bank borrowings	**839,870**	**961,243**	**55,245**	**54,328**	**851,670**	**–**
Convertible notes	**8,761**	**11,000**	**–**	**–**	**11,000**	**–**
Other payables, accruals and rental deposits received	**15,453**	**15,453**	**7,213**	**8,240**	**–**	**–**
	864,084	**987,696**	**62,458**	**62,568**	**862,670**	**–**
31 March 2018						
Bank borrowings	570,000	625,489	28,709	28,638	568,142	–
Convertible notes	8,037	11,000	–	–	11,000	–
Other payables, accruals and rental deposits received	14,912	14,912	8,600	6,312	–	–
	592,949	651,401	37,309	34,950	579,142	–

39. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

The following table details the interest rate profile of the Group's net borrowings at the end of reporting period:

	31 December 2018		31 March 2018	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Net variable rate borrowings				
Bank borrowings	**(note)**	**839,870**	(note)	570,000
Bank balances	**0.01% to 2.73%**	**(1,015,021)**	0.01% to 1.10%	(749,153)
		(175,151)		(179,153)

Note: Details of the Group's bank borrowings are set out in note 22 to the consolidated financial statements.

At 31 December 2018, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation by approximately HK$1,752,000 (31 March 2018: increase/decrease profit after taxation by approximately HK$1,792,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 31 March 2018.

39. FINANCIAL RISK MANAGEMENT (Continued)

(iv) Foreign exchange risk

The Group have foreign currency denominated monetary assets, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	31 December 2018	31 March 2018	**31 December 2018**	31 March 2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**9,101**	33	**–**	–
United States Dollars ("USD")	**291**	291	**–**	–

Foreign currency sensitivity analysis

As Hong Kong Dollars are pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the Hong Kong Dollars to USD exchange rates. As a result, the directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between Hong Kong Dollars to USD is minimal.

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% (31 March 2018: 5%) increase and decrease in Hong Kong Dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the Hong Kong Dollars strengthen 5% (31 March 2018: 5%) against RMB. For a 5% (31 March 2018: 5%) weakening of the Hong Kong Dollars against RMB, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	Impact of RMB	
	31 December 2018	31 March 2018
	HK$'000	HK$'000
Profit or loss (note)	**455**	2

Note:

This is mainly attributable to the exposure outstanding on monetary items denominated in RMB not subject to cash flow hedge at the end of the reporting period.

39. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 March 2018 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Derivative financial asset component of convertible notes	**Assets HK$728,000**	Assets HK$19,000	Level 3	The binomial option pricing model	Risk-free rate adopted was 1.82% (31 March 2018: 1.58%). Expected volatility of 56.38% (31 March 2018: 54.13%).

Fair value hierarchy as at 31 December 2018

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Derivative financial asset component of convertible notes	**–**	**–**	**728**	**728**

Fair value hierarchy as at 31 March 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial asset component of convertible notes	–	–	19	19

There were no transfers between Level 1 and 2 in the year.

39. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities are determined as follows:

a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	31 December 2018		31 March 2018	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**8,761**	**9,493**	8,037	8,373

39. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Derivative financial asset component of convertible notes HK$'000
At 1 April 2017	16,085
Conversion of convertible notes	(12,867)
Fair value change	(3,199)
At 31 March 2018 and 1 April 2018	19
Fair value change	709
At 31 December 2018	**728**

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2018 and 31 March 2018 are categorised as follows:

	31 December 2018 HK$'000	31 March 2018 HK$'000
Financial assets		
At amortised cost		
Loan and receivables (including cash and bank balances)	**1,022,246**	751,588
Derivative financial instruments	**728**	19
Financial liabilities		
Financial liabilities measured at amortised cost	**864,084**	592,949

41. NON-CASH TRANSACTIONS

The Group entered into the following major non-cash transactions which are not reflected in the consolidated statement of cash flows:

(a) During the year ended 31 March 2018, a holder of convertible notes exercised its conversion right to convert the partial principal amount of HK$61,000,000 out of HK$72,000,000 into 65,310,492 ordinary shares. Please refer to note 24 to the consolidated financial statements for details.

(b) During the year ended 31 March 2018, certain outstanding share options were cancelled and share-based payment reserve of approximately HK$7,400,000 was released to retained profits.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2018 were as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
Henry Group Asset Management Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
New Treasure Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Zhongchang International Holdings Management Limited (formerly known as Henry Group Management Limited)	Hong Kong	Ordinary HK$1	100%	–	Provision of administration services to group companies
Deluxe Heartland Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Rose City Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Max Act Enterprises Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
Sharp Wonder Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Capital Garden Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Top Bright Properties Limited	Hong Kong	Ordinary HK$9,999 Deferred share HK$1 (Note 1)	–	100%	Property investment
Wingplace Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Smart Land Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Maxwing Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Joy Depot Limited	The British Virgin Islands /Hong Kong	Ordinary US$1	–	100%	Investment holding
Bond Victory Limited	Hong Kong	Ordinary HK$5,000	–	100%	Property investment
South Shine Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Sunny Coast Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Asia Goal International Limited	Hong Kong	Ordinary HK$1	–	100%	Dormant
Pioneer Delight Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company Direct	Indirect	Principal activities
Top Grade Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Wealth Properties Limited	Hong Kong	Ordinary HK$100	–	100%	Property investment
New Headland Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Joyfield Global Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Crystal City Global Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Perfect Shield Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Red Ribbon Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Uptodate Management Limited	The British Virgin Islands/ Hong Kong	Ordinary US$100	–	100%	Dormant
China Charter Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Agile Scene Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Powell View Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
Sansheng Hongye Real Estate Investments (BVI) Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Sansheng Hongye Real Estate Investments (Cayman) Limited	The Cayman Islands	Ordinary US$1	–	100%	Investment holding
浙江自貿區鑫盛海洋產業投資有限公司（"浙江鑫盛"）	The People's Republic of China	Registered and paid-up capital RMB1,000,000 (Note 2)	–	100%	Investment, development and construction of ocean engineering and real estates; investment and development of tourism project; and real estate agent services; consultation of information services; property management and property leasing.
佛山銘舟工程管理諮詢有限公司	The People's Republic of China	Registered and paid-up capital: RMB10,000,000	–	100%	Provision of property project management services.
佛山快彤物業服務有限公司	The People's Republic of China	Registered capital: RMB500,000,000; paid-up capital: RMB0	–	100%	Property management, provision of real estate intermediate services, family services and construction works.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the the Company Direct	Indirect	Principal activities
上海薈昌企業管理諮詢有限公司	The People's Republic of China	Registered capital: RMB500,000,000; paid-up capital: RMB0	–	100%	Provision of administrative services to Group companies
上海薈暢貿易有限公司	The People's Republic of China	Registered capital: RMB10,000,000; paid-up capital: RMB0	–	100%	Dormant
舟山銘泰物業管理有限公司	The People's Republic of China	Registered capital: RMB600,000,000; paid-up capital: RMB0	–	100%	Dormant
舟山銘舟置業有限公司	The People's Republic of China	Registered capital: RMB500,000,000; paid-up capital: RMB10,000,000	–	100%	Investment holding

Note:

1) Pursuant to the Article of Association of Top Bright, on a winding up, the holder of the deferred share shall be entitled out of the surplus assets of Top Bright to a return of the capital paid up on the one non-voting share but only after a holder of ordinary share has received in full the return of capital paid on them and, in aggregate, a total sum of HK$100,000,000,000,000.

2) Pursuant to the sole shareholder's resolution passed on 25 October 2018, the registered and paid-in capital of 浙江鑫盛 was reduced from RMB500,000,000 to RMB1,000,000 (the "Capital Reduction"). The Capital Reduction was approved on 21 December 2018.

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

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2018 HK$'000	31 March 2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**13**	–
Interests in subsidiaries (note)	**309,409**	375,152
	309,422	375,152
CURRENT ASSETS		
Other receivables	**348**	222
Derivative financial instruments	**728**	19
Cash and bank balances	**415,821**	120,080
	416,897	120,321
CURRENT LIABILITIES		
Other payables	**814**	757
Amounts due to subsidiaries	**333,997**	102,393
	334,811	103,150
NET CURRENT ASSETS	**82,086**	17,171
TOTAL ASSETS LESS CURRENT LIABILITIES	**391,508**	392,323
NON-CURRENT LIABILITIES		
Interest and other payables	**567**	788
Convertible notes	**8,761**	8,037
Deferred taxation	**370**	489
	9,698	9,314
NET ASSETS	**381,810**	383,009
CAPITAL AND RESERVES		
Share capital	**112,502**	112,502
Reserves	**269,308**	270,507
TOTAL EQUITY	**381,810**	383,009

Note:

As at 31 December 2018 and 31 March 2018, the balance of interests in subsidiaries included amounts due from subsidiaries.

The Company's financial statements were approved and authorised for issue by the board of directors on 22 March 2019 and signed on its behalf by:

WANG Junyong
Director

FAN Xuerui
Director

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium HK$'000	Share-based payment reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000 (note)	Retained profits HK$'000	Total HK$'000
At 1 April 2017	66,446	23,323	36,783	209,959	125,943	462,454
Loss and total comprehensive loss for the year	–	–	–	–	(13,617)	(13,617)
Exercise of share options	46,086	(15,923)	–	–	–	30,163
Release of deferred tax liability upon conversion of convertible notes	–	–	3,358	–	–	3,358
Issue of shares upon conversion of convertible notes	55,768	–	(34,522)	–	–	21,246
Final dividend declared and paid	–	–	–	(209,959)	(23,138)	(233,097)
Release of share option reserves upon cancellation of share options	–	(7,400)	–	–	7,400	–
At 31 March 2018 and 1 April 2018	168,300	–	5,619	–	96,588	270,507
Loss and total comprehensive loss for the period	–	–	–	–	(1,199)	(1,199)
At 31 December 2018	**168,300**	**–**	**5,619**	**–**	**95,389**	**269,308**

Note:

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the group reorganisation in April 2000 and the nominal value of the Company's shares issued for the acquisition. In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

(ii) 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 account.

In the opinion of the directors, the Company had distributable reserve of approximately HK$91,533,000 at the end of the reporting period (31 March 2018: HK$93,442,000).

44. CORPORATE GUARANTEES

As at 31 December 2018, the Company provided corporate guarantee of HK$857,000,000 (31 March 2018: HK$570,000,000) which given to a bank for securing banking facilities granted to its subsidiary.

As at 31 March 2018, the Company has given several corporate guarantees in aggregate of HK$656,000,000 for securing banking facilities granted to its subsidiaries which were fully repaid in December 2017.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2019.

	Year ended 31 March				Nine months ended 31 December
	2015	2016	2017	2018	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	51,270	57,247	65,826	47,241	**32,787**
Other gains and losses, net	20,450	11,215	4,799	(169)	**4,235**
Increase in fair value of investment properties	488,000	9,862	30,200	20,500	**19,200**
Staff costs	(32,489)	(17,678)	(12,123)	(10,373)	**(5,668)**
Depreciation on property, plant and equipment	(141)	(80)	(478)	(840)	**(655)**
Other operating expenses	(13,159)	(27,144)	(17,922)	(19,310)	**(10,768)**
Profit from operations	513,931	33,422	70,302	37,049	**39,131**
Finance costs	(26,070)	(26,877)	(33,611)	(21,707)	**(18,304)**
Net gains on disposals of subsidiaries	–	–	–	5,375	**–**
Net gain on disposal of an investment property	–	–	–	4,950	**–**
Profit before taxation	487,861	6,545	36,691	25,667	**20,827**
Taxation	(1,692)	(4,974)	(2,585)	(4,965)	**(3,486)**
Profit for the year/period	486,169	1,571	34,106	20,702	**17,341**
Profit for the year/period attributable to the owners of the Company	486,169	1,571	34,106	20,702	**17,341**
Dividend and distribution	–	549,916	–	233,097	**–**
Earnings per share					
– Basic (in HK cents)	56.52	0.16	3.41	1.90	**1.54**
– Diluted (in HK cents)	55.93	0.05	3.27	1.89	**1.53**
ASSETS AND LIABILITIES					
Total assets	3,662,068	3,362,156	3,489,757	2,682,459	**2,973,426**
Total liabilities	1,042,976	1,200,254	1,262,640	603,390	**877,118**
	2,619,092	2,161,902	2,227,117	2,079,069	**2,096,308**

Schedule of Properties Held by the Group

At 31 December 2018

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 December 2018 were as follows:

Investment properties

Location	Type of property	Group interest	Approximately area
Jardine Center, 50 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Gross floor area of approximately 49,779 sq. ft
Ground Floor and Cockloft Floor, 38 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 446 sq. ft. with yard and the store of approximately 28 and 193 sq. ft. respectively on the ground floor
First Floor, 38 and 40 Jardine's Bazaar, Causeway Bay, Hong Kong	Residential	100%	Saleable area of approximately 762 sq. ft. with flat roof of approximately 99 sq. ft.
Ground Floor including Cockloft of 41 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 600 sq. ft. with yard and store of approximately 80 sq. ft. and 371 sq. ft. respectively with yard of 82 sq. ft. on the ground floor
Ground Floor, 57 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 715 sq. ft.
Shop No.1 on Ground Floor including Portions of The Flat Roof and Canopy over and above The Shop No. 1 on the Ground Floor, K.K. Mansion, 119, 121 & 125 Caine Road, Mid-Levels West, Hong Kong	Commercial	100%	Saleable area of approximately 1,345 sq. ft. with flat roof of approximately 273 sq. ft.