Qingdao Holdings International Limited
青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 499)

Annual Report 2019

(for the nine months ended 31 December 2019)

*For identification purposes only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Gao Yuzhen *(Chairman)*
(appointed on 27 March 2020)
Mr. Yuan Zhi *(appointed as Deputy Chairman and Chief Executive Officer on 27 March 2020)*
Mr. Hu Liang *(appointed on 27 March 2020)*
Mr. Xing Luzheng *(Chairman)*
(resigned on 27 March 2020)
Mr. Chen Mingdong *(Vice-chairman)*
(resigned on 16 July 2019)
Mr. Jiang Yi *(Chief Executive Officer)*
(resigned on 27 March 2020)
Mr. Wang Yimei *(resigned on 27 March 2020)*

Non-executive Director:

Mr. Li Shaoran

Independent non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Gao Yuzhen *(Chairman)*
(appointed on 27 March 2020)
Mr. Xing Luzheng *(Chairman)*
(resigned on 27 March 2020)
Mr. Yin Tek Shing, Paul
Mr. Wong Tin Kit
Ms. Zhao Meiran
Mr. Li Xue

CORPORATE INFORMATION

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

Mr. Yuan Zhi *(appointed on 27 March 2020)*
Mr. Jiang Yi *(resigned on 27 March 2020)*
Mr. Chan Kwong Leung, Eric

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

China Citic Bank International Limited
Bank of Communications Co., Ltd.
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 499

WEBSITE

http://www.qingdaohi.com

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the final results of the Qingdao Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the nine months period from 1 April 2019 to 31 December 2019 (the "Reporting Period").

OVERVIEW

During the Reporting Period, the Group recorded a profit attributable to the owners of the parent of approximately HK$12.9 million (year ended 31 March 2019: HK$9.5 million). As the Reporting Period covers a nine-month period only, the overall financial performance of the Group was encouraging as compared to that for the full year in last financial year. Such increase was mainly attributable to (i) the increase in exchange gain and (ii) the increase in fair value of investment properties.

Leasing of Properties

During the Reporting Period, the Qingdao property known as "22nd Century Plaza" owned by the Group, comprising 13 upperground floors and 136 underground carpark units, was fully leased out. The leasing business of the investment properties of the Group in Hong Kong had not been impacted much by the local social unrest. The investment property portfolio generated stable income and cash flow for the Group's continuous development.

In the first quarter of 2020, the leasing market in Hong Kong was affected by the coronavirus disease 2019 ("COVID-19 outbreak"). The management expects the disruption caused by the COVID-19 outbreak is temporary but might be significant. The speed of recovery and the extent of any long-term impact on the leasing market remain uncertain as it will depend on the duration and severity of the COVID-19 outbreak and associated containment measures. The management however considers that the COVID-19 outbreak may not have a material impact on the Qingdao property market since the current COVID-19 outbreak in Qingdao is relatively less severe and the Group's tenants are generally not small or medium size enterprises. In the meantime, the management will closely monitor the development of leasing market.

Digital Chinese Calligraphy Education Equipment

The business in the research and development, production and sales of the digital Chinese calligraphy education equipment also recorded stable growth. It recorded a revenue of HK$21.2 million during the Reporting Period against a full year results of HK$23.6 million for the year ended 31 March 2019. Our sales team has put its efforts in promoting our products in different major provinces in the People's Republic of the China (the "PRC").

However, due to the COVID-19 outbreak, school classes in a number of provinces and municipalities in the PRC have been suspended and additional precautionary measures have been implemented by the PRC government to safeguard the health of students from the COVID-19 outbreak which have certain impact on our scheduled works for installing digital Chinese calligraphy education equipment in classrooms according to schools' and colleges' purchase orders. Sales promotions for this business segment have also been inevitably affected by the COVID-19 outbreak as schools are our major customers. Meanwhile, the launch of personalised calligraphy education related products has also been affected by the COVID-19 outbreak.

Since Chinese calligraphy training has been made compulsory for students in primary and secondary schools across the PRC, the Group remains optimistic about the prospects of its Chinese calligraphy education related products in the long term, although this business segment might experience a difficult times in the short term because of the COVID-19 outbreak. The management is closely monitoring the development of the situation.

Joint Venture Business

The establishment of NEQH Development and Construction Co. Ltd (核建青控開發建設有限公司) (the "Joint Venture Company"), a joint venture company, by Qingdao Holdings (Hong Kong) Limited with China Nuclear Industry Zhongyuan Construction Co., Limited* (中國核工業中原建設有限公司) ("China Nuclear Industry") and China Huadong Construction and Engineering Group Limited (中國華東建設工程集團有限公司) ("China Huadong"), in the Reporting Period symbolises an important step of the Group to expand its future revenue base and capture development opportunities. The Group established the Joint Venture Company with the intention of leveraging on its strong networks in the PRC and the strength, resources and expertise of China Nuclear Industry and China Huadong, which, in turn, could enhance the Group's competitiveness in bidding and participating in the projects and works related to, among others, urban reconstruction and development, construction and development of new districts, building and operating infrastructure and networks of roads, and construction of buildings and to create a new stream of revenue for the Group through cooperation opportunities. The Group will further update our shareholders of any further significant development of the this joint venture business in terms of its business and financial performance as and when appropriate in accordance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PROSPECTS

The stability of economic and trading environment of the PRC and Hong Kong may continue to be, to different extent, challenged by the US-China trade tension, COVID-19 outbreak and social unrest in Hong Kong. We believe the unfortunate extraordinary events, when they ultimately stabilise, will not have a significant impact on the Group's operations in the long term.

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

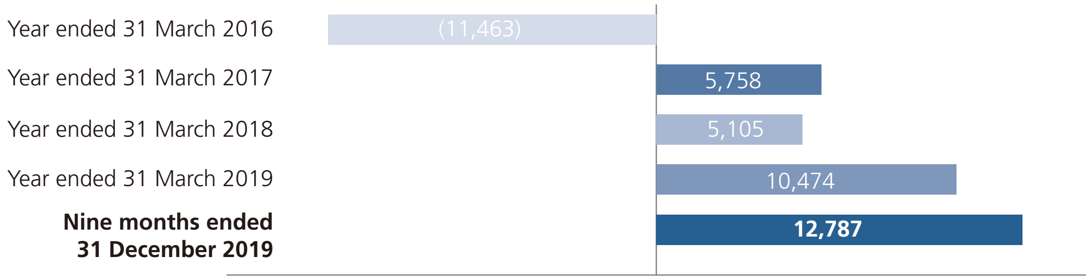
The Board, the management and all staff members of the Group will continue to devote their best efforts and overcome challenges ahead with indomitable determination to strive for outstanding results for the Group. I would like to express my greatest appreciation to our Directors, shareholders, customers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

Xing Luzheng
Chairman

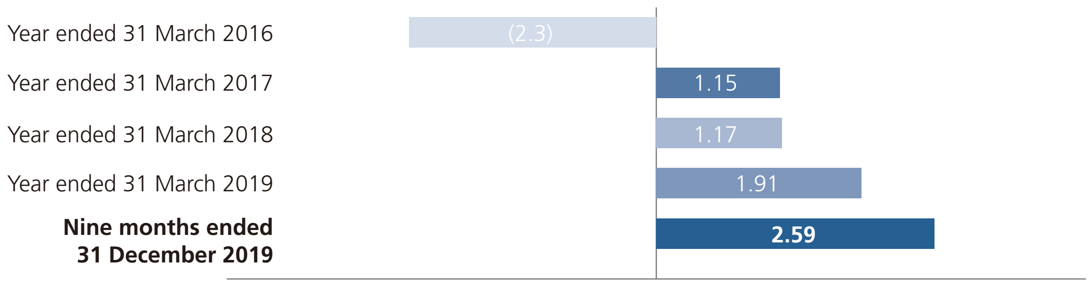
Hong Kong, 26 March 2020

* *For identification purposes only*

Profit (loss) (Note 1)
HK$'000

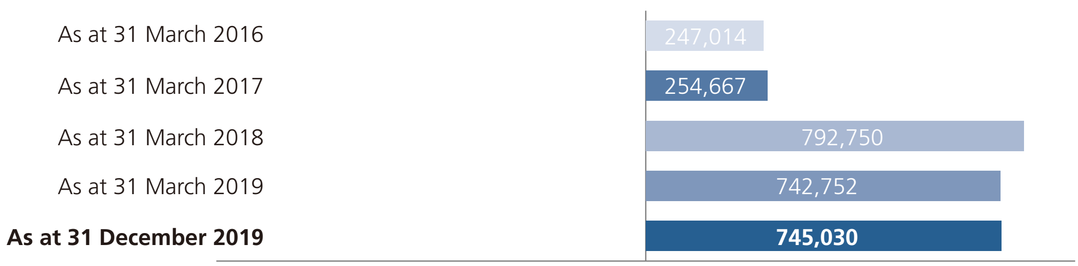


Earnings per share (Note 2)
HK cents



Total equity (Note 3)
HK$'000

Total assets (Note 4)
HK$'000



FINANCIAL SUMMARY

					Nine months ended 31 December
		Year ended 31 March			
	2016	2017	2018	2019	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	4,660	3,619	8,406	55,938	**45,824**
Profit (loss) before tax	(11,300)	5,929	7,917	12,319	**14,563**
Income tax expense	(163)	(171)	(2,812)	(1,845)	**(1,776)**
Profit (loss) for the period/year	(11,463)	5,758	5,105	10,474	**12,787**
Earnings (loss) per share	(2.3) HK cents	1.15 HK cents	1.17 HK cents	1.91 HK cents	**2.59 HK cents**

					As at 31 December
		As at 31 March			
	2016	2017	2018	2019	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	247,014	254,667	792,750	742,752	**745,030**
Total liabilities	(2,556)	(4,756)	(498,521)	(453,678)	**(452,826)**
Total equity	244,458	249,911	294,229	289,074	**292,204**
Equity attributable to:					
Owners of the parent	244,264	249,911	256,524	253,258	**258,458**
Non-controlling interests	194	–	37,705	35,816	**33,746**
	244,458	249,911	294,229	289,074	**292,204**

Notes:

1. Represents the consolidated profit/(loss) for the financial periods from 1 April 2015 to 31 March 2016, from 1 April 2016 to 31 March 2017, from 1 April 2017 to 31 March 2018, from 1 March 2018 to 31 March 2019 and from 1 April 2019 to 31 December 2019.

2. Represents the consolidated earnings/(loss) per share for the financial periods from 1 April 2015 to 31 March 2016, 1 April 2016 to 31 March 2017, 1 April 2017 to 31 March 2018, 1 April 2018 to 31 March 2019, and 1 April 2019 to 31 December 2019.

3. Represents the consolidated total equity at 31 March 2016, 2017, 2018 and 2019 and 31 December 2019.

4. Represents the consolidated total assets at 31 March 2016, 2017, 2018 and 2019 and 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL YEAR END DATE

On 6 December 2019, the Company announced that the financial year end date of the Company has been changed from 31 March to 31 December of each year. For details, please refer to the announcement of the Company dated 6 December 2019. Therefore, the current financial period end date is 31 December 2019 and the final results of the Group contained in the consolidated financial statements covers the nine months period from 1 April 2019 to 31 December 2019. The results for the twelve months period from 1 April 2018 to 31 March 2019 for the Reporting Period (the "Previous Period") are used as comparative figures.

BUSINESS REVIEW

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

Leasing of Investment Properties

During the Reporting Period, the rental income from investment properties located in Hong Kong and the PRC amounted to approximately HK$23.7 million (Previous Period: HK$31.2 million), representing a decrease of HK$7.5 million, which accounted for 51.8% of the Group's total revenue.

Production and Sale of Digital Chinese Calligraphy Education Equipment

During the Reporting Period, revenue generated from the production and sale of digital Chinese calligraphy education equipment amounted to HK$21.2 million (Previous Period: HK$23.6 million), which accounted for 46.2% of the Group's total revenue.

The Group has a solid foundation in this business segment as it has invested substantial capital for the research and development as well as the innovation of digital Chinese calligraphy education equipment. The Group expects that more personalised products will be launched, although the launch timetable may be postponed due to the COVID-19 outbreak.

Loan Financing

During the Reporting Period, the Group's loan financing segment managed to contribute a consistent return and recorded a revenue of approximately HK$0.9 million (Previous Period: HK$1.2 million), which accounted for 2.0% of the Group's total revenue.

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

FINANCIAL REVIEW

Revenue and Results

During the Reporting Period, the Group recorded a revenue of approximately HK$45.8 million (Previous Period: HK$55.9 million). The Group recorded a profit attributable to the equity holders of the parent in the amount of approximately HK$12.9 million for the Reporting Period (Previous Period: HK$9.5 million). Earnings per share was 2.59 HK cents for the Reporting Period (Previous Period: 1.91 HK cents).

Cost of inventories sold for the Reporting Period was approximately HK$11.6 million (Previous Period: HK$13.6 million).

Employee benefit expenses for the Reporting Period were approximately HK$5.9 million (Previous Period: HK$6.9 million), representing a decrease of approximately HK$1.0 million. Other operating expenses for the Reporting Period were approximately HK$15.3 million (Previous Period: HK$18.0 million), representing a decrease of approximately HK$2.7 million.

Other income and gains for the Reporting Period was approximately HK$6.2 million (Previous Period: HK$13.4 million), representing a decrease of approximately HK$7.2 million. The other income and gains mainly represented the exchange gains arising from the translation of monetary items denominated in foreign currencies other than the functional currencies of the respective Group entities, which were approximately HK$5.2 million for the Reporting Period (Previous Period: HK$11.4 million). Such unrealised gain was mainly due to the depreciation of RMB against United States dollars and Hong Kong dollars.

Finance costs for the Reporting Period were approximately HK$15.6 million (Previous Period: HK$20.1 million), representing a decrease of HK$4.5 million. Finance costs included interest payable for the unsecured loans provided by an intermediate holding company and the ultimate holding company of the Company and interest payable for the secured loan provided by a bank.

Income tax expense for the Reporting Period was approximately HK$1.8 million (Previous Period: HK$1.8 million). The increase in the deferred tax provided for the investment properties was offset by the decrease of current tax provided.

Segmental Information

An analysis of the Group's performance for the Reporting Period by business segment is set out in note 4 to the consolidated financial statements of this report.

Dividends

The Board does not recommend the payment of any dividends for the Reporting Period (Previous Period: nil).

Liquidity and Financial Resources

As at 31 December 2019, the Group had total assets of approximately HK$745.0 million (31 March 2019: HK$742.8 million), whereas total liabilities of the Group amounted to approximately HK$452.8 million (31 March 2019: HK$453.7 million).

Accordingly, the net assets of the Group as at 31 December 2019 was HK$292.2 million (31 March 2019: HK$289.1 million).

As at 31 December 2019, the outstanding bank and other borrowings of the Group was approximately HK$49.6 million (31 March 2019: HK$nil).

The gearing ratio of the Group, being the total liabilities to total assets, was 60.8% as at 31 December 2019 (31 March 2019: 61.1%). It is believed that the Group has adequate cash resources to meet its commitments and current working capital requirements.

Capital Structure

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

Pledge of Assets

As at 31 December 2019, the Group pledged certain of its investment properties with a market value of HK$163.1 million (31 March 2019: HK$96.2 million) to a bank in Hong Kong to secure mortgage financing facilities granted to the Group. As at 31 December 2019, the Group had unutilised banking facilities of HK$50.0 million (31 March 2019: HK$57.0 million).

Foreign Exchange Exposure

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, RMB and United States dollars. During the Reporting Period, RMB devalued against Hong Kong dollars and United States dollars. The Group does not have any hedging arrangement on foreign exchange but will continue to closely monitor its foreign exchange exposure in RMB.

Contingent Liabilities and Capital Commitments

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

MATERIAL TRANSACTION

On 15 November 2019, Qingdao Holdings (Hong Kong) Limited ("Qingdao (HK)"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with China Nuclear Industry and China Huadong in relation to the formation of the Joint Venture Company. The Joint Venture Company will engage in the operation of various businesses in the PRC, which include but are not limited to urban reconstruction and development, construction and management of parks, construction and management of municipal facilities, procurement of materials, equity investment and capital deployment, construction of buildings, municipal engineering works, road constructions, electrical installation and engineering works, environmental protection engineering and other civil engineering works, consultancy, and design (subject to the approval of the local government in the PRC).

The ultimate beneficial owner of China Nuclear Industry is China National Nuclear Corporation (中國核工業集團有限公司), a state-owned enterprise under direct management of the central government.

The ultimate beneficial owner of China Huadong is Mr. Ding Jun, who is an entrepreneur with extensive experience in building construction and public facilities industry in the PRC.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, China Nuclear Industry, China Huadong and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The entering into of the Joint Venture Agreement constituted a discloseable transaction for the Company under the Listing Rules, details of which were set out in the announcements of the Company dated 15 November 2019 and 26 November 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Gao Yuzhen ("Mr. Gao"), aged 46, was appointed as an executive director, the chairman of the Board and the chairman of the nomination committee (the "Nomination Committee") of the Company on 27 March 2020. He graduated from Shandong University of Finance and Economics (formerly known as Shandong College of Finance) majoring in global economics and obtained a Bachelor's degree in economics. He also studied finance at Ocean University of China and obtained a Master's degree in economics. He has over 20 years of extensive experience in financial investment, assets operation, industry investment and business management. Mr. Gao had served as the deputy general manager of Qingdao City Investment, Culture and Media Company, the deputy general manager of Qingdao Urban and Rural Community Construction Group Company, the general manager of Qingdao City Investment and Industry Investment Group Company and the chief operating manager of Qingdao City Construction Investment (Group) Limited ("QCCIG"). He is currently the deputy general manager of QCCIG, and a director of China Qingdao Development (Holdings) Group Company Limited ("CQDHG") and China Qingdao International (Holdings) Company Limited ("CQIH"). The Company's controlling shareholder, CQIH, is the wholly-owned subsidiary of CQDHG, which is in turn wholly-owned by QCCIG.

Mr. Yuan Zhi ("Mr. Yuan"), aged 42, was appointed as an executive Director on 26 November 2015. He was appointed as the deputy chairman of the Board and the chief executive officer of the Company on 27 March 2020. He is also a director of a number of subsidiaries of the Company. Mr. Yuan is currently a general manager of QCCIG (Hong Kong Area). He is also a director of CQDHG and CQIH. CQIH, the Company's controlling shareholder, is a wholly-owned subsidiary of CQDHG. CQDHG is wholly-owned by QCCIG. Mr. Yuan graduated from the College of Economics of Ocean University of China specialising in national economics and was awarded a master's degree in economics. He has many years of experience in investment in the securities market.

Mr. Hu Liang ("Mr. Hu"), aged 38, was appointed as an executive Director on 27 March 2020. He graduated from the Department of Economics, Shandong University, Weihai with a Bachelor's degree in finance. He has over 10 years of extensive experience in finance especially in asset management, financial risk control and financial management. Mr. Hu had worked in the finance department of QCCIG, and served as the head of the risk control department of Qingdao Urban and Rural Community Construction Financing Guarantee Limited, and the assistant to general manager of Qingdao City Investment and Assets Management Company Limited. Mr. Hu is currently the deputy general manager of QCCIG (Hong Kong Area). He is also a director of CQDHG and NEQH Development and Construction Co. Ltd., a subsidiary of the Company.

Mr. Xing Luzheng ("Mr. Xing"), aged 56, was appointed as the vice-chairman of the Board and an executive Director on 10 September 2014. On 26 November 2015, he was appointed as the chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee") and resigned as the vice-chairman of the Board. Mr. Xing has more than 23 years of experience in financial investment and corporate management. Mr. Xing has previously served as the president of Shibei sub-branch of the Qingdao branch of China Everbright Bank, deputy general manager and chief accountant of Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. He is currently the chairman of QCCIG. He is also a director of CQDHG and CQIH. Mr. Xing has resigned as an executive Director, the chairman of the Board and the chairman of the Nomination Committee on 27 March 2020.

Mr. Jiang Yi ("Mr. Jiang"), aged 48, was appointed as a non-executive Director on 27 September 2014. Mr. Jiang was re-designated from non-executive Director to executive Director on 26 November 2015. He was appointed as the chief executive officer of the Company on 14 December 2015. He is also a director of a number of subsidiaries of the Company. Mr. Jiang graduated from the Management College of Ocean University of China majoring in accountancy and holds a doctorate degree in management. He is currently the chief accountant of QCCIG. He is currently a director of CQDHG and CQIH. Mr. Jiang has resigned as an executive Director and the chief executive officer of the Company on 27 March 2020.

Mr. Wang Yimei ("Mr. Wang"), aged 41, was appointed as an executive Director on 26 November 2015. He is also a director of a number of subsidiaries of the Company. Mr. Wang graduated from the Ocean University of China specialising in business administration and was awarded a master's degree. He has been working in the fields of administrative management, securities and investment and has accumulated substantial practical experience. Mr. Wang has resigned as an executive Director on 27 March 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Li Shaoran ("Mr. Li"), aged 35, was appointed as a non-executive Director on 22 June 2018. He holds a master of science degree in finance from the University of Manchester. Mr. Li has experience in the investment and securities industry and administrative management. He joined QCCIG in 2014 and is now working for the Hong Kong business segments of QCCIG.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yin Tek Shing, Paul ("Mr. Yin"), aged 78, was appointed as an independent non-executive Director on 27 September 2014. Mr. Yin is also a member of the Nomination Committee, the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") of the Company. He acted as President of The Chinese Manufacturer's Association of Hong Kong from 2008 to 2009. He is currently the permanent honorary president of The Chinese Manufacturer's Association of Hong Kong, founding chairman of Hong Kong Brand Development Council, a member of the People's Political Consultative Standing Committee of Qingdao City and founding president of Hong Kong Qingdao Association Limited. Mr. Yin actively participates in serving the community and his services include acting as a member of Trade and Industry Advisory Board, a council member of Hong Kong Productivity Council, a member of Hong Kong Labour Advisory Board, a member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region (the "HKSAR Government"), a council member of Hong Kong Trade Development Council, and a committee member of Innovation and Technology Commission. He was awarded the Bronze Bauhinia Star by the HKSAR Government in 2003. He was appointed as Justice of the Peace in 2007 and was awarded the Silver Bauhinia Star by the HKSAR Government in 2009.

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

Ms. Zhao Meiran ("Ms. Zhao"), aged 44, was appointed as an independent non-executive Director on 27 September 2014. Ms. Zhao is also a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. Ms. Zhao is a Qingdao entrepreneur engaged in industries including trading and logistics and has extensive experience in corporate management. Ms. Zhao graduated from Shanghai University and currently serves as chairman of Qingdao Jinnuo Auction House, chairman of Qingdao Cheng Kun Trading Company Limited and general manager of America Los Angeles Travel Holiday Company Limited. Ms. Zhao has been an executive member of Qingdao Red Cross Dust Fund since 2010.

Mr. Li Xue ("Mr. Li"), aged 55, was appointed as an independent non-executive Director on 27 September 2014. Mr. Li is also the chairman of the Audit Committee, a member of Nomination Committee and Remuneration Committee. Mr. Li holds a Master Degree in Economics. He has engaged in the fields of auditing theory and practical research and obtained ample research findings in basic audit theory and environmental auditing theory. He is currently a professor and a tutor for master candidates at the Accounting Department of the Management College of Ocean University of China, the director of Audit and Management Consulting Institute of the Management College of Ocean University of China, and the head of the Accounting Department of Qingdao College of Qingdao Technological University. Mr. Li is also a council member of Accounting Society of China, a member of China Audit Society, a council member of China Institute of Internal Audit and a member of the Chinese Institute of Certified Public Accountants. Mr. Li has been an independent non-executive director of Ruicheng (China) Media Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1640) since October 2019.

The Board presents the annual report of the Company and the audited consolidated financial statements of the Group for the nine months ended 31 December 2019.

CHANGE OF FINANCIAL YEAR END DATE

On 6 December 2019, the Company announced that the financial year end date of the Company has been changed from 31 March to 31 December of each year.

PRINCIPAL ACTIVITY

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 1 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATION

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on page 50 to 51 of this annual report.

The Board does not recommend the payment of any final dividends for the Reporting Period (Previous Period: Nil).

DIVIDEND POLICY

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

BUSINESS REVIEW

Business review of the Group for the Reporting Period has been stated in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period using financial key performance indicators is provided in Financial Summary on pages 8 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 9 of this annual report.

RESERVES

Movements in reserves of the Group and the Company during the Reporting Period are set out in page 54 and note 40 to the consolidated financial statements respectively. Total distributable reserves of the Company amounted to approximately HK$136,937,000 as at 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 12 to the consolidated financial statements of this annual report.

INVESTMENT PROPERTIES

The investment properties of the Group were revalued as at 31 December 2019, resulting in revaluation gains of approximately HK$11.0 million (Previous Period gains: HK$1.7 million).

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

SHARE CAPITAL

Details of the share capital of the Company during the Reporting Period are set out in note 28 to the consolidated financial statements of this annual report.

PRINCIPAL PROPERTIES

Particulars of the Group's principal properties are set out on page 124 of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 15 to 16 of this annual report.

DIRECTORS

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

Executive Directors:

Mr. Xing Luzheng *(Chairman)*
Mr. Chen Mingdong *(Vice-chairman) (resigned on 16 July 2019)*
Mr. Jiang Yi *(Chief Executive Officer)*
Mr. Wang Yimei
Mr. Yuan Zhi

Non-executive Director:

Mr. Li Shaoran

Independent non-executive Directors:

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

At the Board meeting held on 26 March 2020, the Board accepted the resignation of Mr. Xing Luzheng ("Mr. Xing"), Mr. Jiang Yi ("Mr. Jiang") and Mr. Wang Yimei ("Mr. Wang") as executive Directors and approved the appointment of Mr. Gao Yuzhen and Mr. Hu Liang as executive Directors, all of which would take effect from 27 March 2020.

The reason for Mr. Xing's resignation is that he will need to devote more time to his other business commitments whereas the reason for Mr. Jiang's and Mr. Wang's resignation is that they will need to take up management posts in the holding company of the Company.

Pursuant to bye-law 87 of the Bye-laws of the Company, Mr. Yuan Zhi and Ms. Zhao Meiran shall retire from office by rotation and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 86(2) of the Bye-laws of the Company, Mr. Gao Yuzhen and Mr. Hu Liang shall continue in office from 27 March 2020 until the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election at that meeting.

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

The related party transactions as disclosed in note 35 to the consolidated financial statements (including the financial assistance from controlling shareholders, details of which were disclosed in the announcement dated 6 September 2017) fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

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

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries were made during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Reporting Period.

DIRECTORS' INTERESTS IN SHARES

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

SHARE OPTIONS

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

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

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

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

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" on pages 20 of this report, at no time during the Reporting Period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouses or children under the age of 18 had any rights to subscribe for shares of the Company or had exercised any such rights during the Reporting Period.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of Directors and senior management of the Group are recommended by the Remuneration Committee of the Company and approved by the Board, having regard to their duties and responsibilities with the Company, the prevailing market conditions, the benchmark of the industry and the performance of the Group. Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 8 to the consolidated financial statements of this annual report.

SUBSTANTIAL SHAREHOLDERS INTERESTS

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

Interests in the shares of the Company

Long positions

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

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

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

* *For identification purposes only*

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales attributable to the Group's major suppliers and customers respectively for the Reporting Period are as follows:

Purchases		
–	the largest supplier	40%
–	five largest suppliers in aggregate	75%
Sales		
–	the largest customer	39%
–	five largest customers in aggregate	54%

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks are set out in note 38 to the consolidated financial statements of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the discussion on the environmental policies and performance of the Company are set out in the section headed "Environmental, Social and Governance Report" on pages 34 to 43 of this annual report.

EQUITY-LINKED AGREEMENTS

Save for disclosed in the section headed "Share Options" on page 20 of this report, the Company did not enter into any equity-linked agreements during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

SUBSEQUENT EVENTS

Details of the significant events of the Group after the Reporting Period are set out in note 39 to the consolidated financial statement of this annual report.

PERMITTED INDEMNITY PROVISION

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 25 to 33 of this annual report.

CHANGE IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in Director's information during the period from 1 April 2019 to the date of this report is set out below:

Name of Director(s)	Details of change
Mr. Li Xue	Appointed as an independent non-executive director of Ruicheng (China) Media Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1640) with effect from 22 October 2019.

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

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund ("MPF") scheme for its employees. Particulars of the MPF scheme are set out in note 2.4 to the consolidated financial statements of this annual report.

CONFIRMATION OF INDEPENDENCE

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

AUDIT COMMITTEE

The Audit Committee has reviewed, with the management of the Company, the financial statements of the Group for the nine months ended 31 December 2019 and discussed with the management of the Company on auditing, internal control, risk management systems and financial reporting matters. Information on the composition of the Audit Committee is set out in the Corporate Governance Report on page 28 of this annual report.

AUDITORS

The financial statements for the year ended 31 March 2015 to 2019 were audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"). Deloitte has resigned as auditor of the Company with effect from 19 November 2019.

Ernst & Young ("EY") has been appointed as the auditor of the Company with effect from 26 November 2019 to fill the casual vacancy following the resignation of Deloitte. EY shall hold the office until the conclusion of the forthcoming annual general meeting of the Company pursuant to the Bye-laws of the Company.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint EY as the auditor of the Company.

On behalf of the Board

Jiang Yi
Executive Director and Chief Executive Officer

Hong Kong, 26 March 2020

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

Composition of the Board

As at 26 March 2020, the Board comprises nine Directors, including four executive Directors, namely, Mr. Xing Luzheng, Mr. Jiang Yi, Mr. Wang Yimei and Mr. Yuan Zhi, one non-executive Director, namely, Mr. Li Shaoran, and four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue. The biographical details of the Directors are set out on pages 15 to 16 of this annual report. The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group. All Directors are aware of their collective and individual responsibilities to shareholders of the Company and have exercised their duties with care, skill and diligence and, thereby, have contributed to the performance of the Group.

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

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

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

At the Board meeting held on 26 March 2020, the Board accepted the resignation of Mr. Xing Luzheng, Mr. Jiang Yi and Mr. Wang Yimei as executive Directors and approved the appointment of Mr. Gao Yuzhen and Mr. Hu Liang as executive Directors, all of which took effect from 27 March 2020.

Term of Appointment of Non-executive Directors

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

Responsibilities of the Board

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

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

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

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

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

Continuous Professional Development of Directors

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

During the nine months ended 31 December 2019, reading materials including regulatory updates were provided to the Directors for their reference and study.

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

Director	Training/reading materials on corporate governance, regulatory development and other relevant topics
Executive Directors:	
Mr. Xing Luzheng	✔
Mr. Chen Mingdong *(resigned on 16 July 2019)*	–
Mr. Jiang Yi	✔
Mr. Wang Yimei	✔
Mr. Yuan Zhi	✔
Non-executive Director:	
Mr. Li Shaoran	✔
Independent non-executive Directors:	
Mr. Yin Tek Shing, Paul	✔
Mr. Wong Tin Kit	✔
Ms. Zhao Meiran	✔
Mr. Li Xue	✔

Board Meetings

Directors are consulted on matters to be included in the agenda for Board meetings and have accessed to advice and services to ensure that Board meeting procedures and all applicable rules and regulations are followed.

Under the code provision A.1.1 of the CG Code, the Board should meet regularly and the board meetings should be held at least four times a year at approximately quarterly intervals. During the nine months ended 31 December 2019, the Board held three regular Board meetings. For the three Board meetings held during the period, at least 14 days' notice had been given to all Directors. The significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the three Board meetings or otherwise dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes.

In addition to the regular Board meetings, during the nine months ended 31 December 2019, the chairman of the Company had meeting with the independent non-executive Directors without the presence of the other executive Directors and non-executive Director.

BOARD COMMITTEES

Audit Committee

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

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

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

The Audit Committee held two meetings and passed written resolutions during the nine months ended 31 December 2019.

During the nine months ended 31 December 2019, the Audit Committee performed the following duties:

(a) reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019 with the external auditors and the unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2019 with recommendations to the Board for approval;

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

(c) considered the independent auditor's independence and fees in relation to the audited consolidated financial statements of the Group for the year ended 31 March 2019, the unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2019 and non-audit related services;

(d) reviewed the resignation of Deloitte Touche Tohmatsu as the independent auditor and recommended the Board to accept the auditor's resignation;

(e) reviewed the appointment and terms of engagement of Ernst & Young as the new independent auditor and recommended the Board to approve the new auditor's appointment and remuneration; and

(f) reviewed and recommended the Board the change of financial year-end date of the Company from 31 March to 31 December.

Remuneration Committee

The Remuneration Committee was established on 29 March 2012. During the nine months ended 31 December 2019, the Remuneration Committee comprised four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit (chairman of the Remuneration Committee), Ms. Zhao Meiran and Mr. Li Xue. The Remuneration Committee held one meeting during the nine months ended 31 December 2019.

During the nine months ended 31 December 2019, the Remuneration Committee performed the following duties:

(a) reviewed and recommended the remuneration packages of the existing Directors; and

(b) reviewed and recommended the performance bonus of an executive Director.

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

Nomination Committee

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

Mr. Xing resigned as the chairman of the Nomination Committee and Mr. Gao Yuzhen was appointed as the chairman of the Nomination Committee on 27 March 2020.

During the nine months ended 31 December 2019, the Nomination Committee performed the following duties:

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

(b) considered the qualifications of the retiring Directors standing for re-election at the 2019 annual general meeting;

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

(d) reviewed and recommended the resignation of an executive Director.

On 30 January 2019, the Board adopted the revised Board Diversity Policy. Pursuant to the Board Diversity Policy, in reviewing the Board's diversity, the Board will consider including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board and having regards to the criteria stated in the Board Diversity Policy, are identified and submitted to the Board or the shareholders of the Company for approval either to fill vacancies on the Board or to be appointed as additional Directors.

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

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

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

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

Details of the attendance of individual Directors at Board meetings, Board committees meetings, the annual general meeting (the "AGM") held on 6 September 2019 during the nine months ended 31 December 2019 are set out in the table below:

	Number of meetings attended/Eligible to attended				
Members of the Board	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**	**AGM**
Executive Directors:					
Mr. Xing Luzheng	1/3	N/A	N/A	0/1	1/1
Mr. Chen Mingdong *(resigned on 16 July 2019)*	0/1	N/A	N/A	N/A	N/A
Mr. Jiang Yi	3/3	N/A	N/A	N/A	1/1
Mr. Wang Yimei	0/3	N/A	N/A	N/A	0/1
Mr. Yuan Zhi	3/3	N/A	N/A	N/A	1/1
Non-executive Director:					
Mr. Li Shaoran	3/3	N/A	N/A	N/A	1/1
Independent non-executive Directors:					
Mr. Yin Tek Shing, Paul	3/3	2/2	1/1	1/1	1/1
Mr. Wong Tin Kit	2/3	1/2	1/1	1/1	1/1
Ms. Zhao Meiran	1/3	0/2	0/1	0/1	1/1
Mr. Li Xue	3/3	2/2	1/1	1/1	1/1

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

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

FINANCIAL REPORTING

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

The statement of the independent auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 44 to 49 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

EXTERNAL AUDITOR

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

Nature of services	**Amount** (HK$'000)
Audit service	1,780
Agreed-upon procedures in respect of unaudited interim financial statements	420

Deloitte Touche Tohmatsu resigned as the auditor of the Company with effect from 19 November 2019. Ernst & Young was appointed as the new auditor of the Company with effect from 26 November 2019 and to hold office until the conclusion of the next annual general meeting of the Company.

COMPANY SECRETARY

The Company's secretarial functions are outsourced to an external service provider. Mr. Jiang Yi, an executive Director, was the primary corporate contact person of the Company with the external service provider from 1 April 2019 to 26 March 2020. Mr. Yuan Zhi was appointed the new primary corporate contact person of the Company with the external service provider effective from 27 March 2020.

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

SHAREHOLDERS' RIGHTS

Procedures for convening a special general meeting by shareholders

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

Procedures for putting forward proposals at general meetings

The following shareholders can submit a written requisition to move a resolution at a general meeting of the Company:

(i) any number of shareholders representing not less than one-twentieth (5%) of the total voting rights of all shareholders having at the date of the requisition a right to vote at the general meeting; or

(ii) not less than one hundred (100) shareholders.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the Company's principal place of business in Hong Kong at Unit No. 8, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Hong Kong. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act of Bermuda once valid documents are received.

Procedures for directing shareholders' enquiries to the Board

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

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS OF THE COMPANY

There were no changes in constitutional documents of the Company during the nine months ended 31 December 2019.

1. INTRODUCTION – SUSTAINABLE DEVELOPMENT

The Sustainable Development Goals agreed by United Nations Member States are seventeen goals that aim to develop a better future to the world by 2030, by ending poverty, fighting inequality and addressing the urgency of climate change to protect the people and the earth. Guided by the goals, it is the collaborative effort of all governments, businesses, civil society and the general public to work together to build a better future for everyone.

2. ABOUT THIS REPORT

2.1. Environmental, Social and Governance to Support Sustainable Development

Environmental, Social and Governance (the "ESG") are the preferred and important factors to measure a company's performance, for company valuation, risk management and even regulatory compliance. This report demonstrates the ESG performance of the Group in achieving sustainable development for the future.

2.2. The Group's ESG Commitment

The Board understands its responsibility and is committed to lead and steward the Group with the aim to achieve long-term returns and generate a positive impact on the society and the environment. By assessing and evaluating ESG-related risks and reporting performance, the Group is able to ensure operational reliability and compliance with the relevant legal and regulatory requirements.

2.3. Reporting Scope

This report summarises the policies, management approach and performance of the Group's core and material business in the leasing of investment properties, the provision of loan financing, and the manufacturing and sales of digital Chinese calligraphy educational equipment. The Group has operations in Hong Kong, Qingdao and Jinan, the PRC. This report is prepared in accordance with the reporting principles of 'Materiality', 'Quantitative', 'Balance' and 'Consistency'. With the aim to optimise the reporting process and expand disclosures in this Report, the Group is dedicated in gathering the relevant data, formulating, implementing and monitoring policies.

2.4. Reporting Period

The financial year end date of the Group has been changed from 31 March to 31 December of each year. This report illustrates and highlights the environmental and social performance of the Group covering the nine months period from 1 April 2019 to 31 December 2019. The results for the twelve months period from 1 April 2018 to 31 March 2019 (the "Previous Period") are used as comparative figures.

2.5. Reporting Framework

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") contained in Appendix 27 to the Listing Rules. This report has complied with the "comply or explain" provisions of the ESG Guide.

Key Performance Index (the "KPI") Reference Table

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

2.6. Stakeholders' Engagement

Stakeholders' engagement is not only essential for the Group to understand its stakeholders' expectations and concerns, but also helps to identify the risks and opportunities regarding sustainable development. To foster collaborative relationship with its stakeholders including policymakers, regulators, employees, investors, customers and suppliers, the Group conducted various activities throughout the Reporting Period to exchange thoughts and ideas and discuss and review ESG goals with all stakeholders aiming to structure business strategies that are valuable to its future growth and challenges.

Stakeholder Group	Approach of Engagement
Community	Corporate website Announcements and notices Financial statements/ESG information
Customers	Corporate website Contracts and agreements Comments and complaint channels Exhibitions and activities
Employees	Orientations, trainings and meetings Performance appraisals Notices and circulars Emails and other electronic communications
Policymakers and Regulators	Corporate website Financial statements/ESG information Announcements and notices
Investors and Shareholders	Annual general meeting and notices Announcements and notices Corporate website Financial statements/ESG information Investors briefings
Suppliers	Business meetings and interviews Contracts and agreements Industrial channels' communications and activities Quotations and tendering process

2.7. Materiality Assessment

The Group has evaluated the ESG risks and opportunities by assessing their importance to the stakeholders and the Group through various communication channels. This assessment helps to ensure that the Group's business objectives and development direction are coincided with the stakeholders' expectations and requirements. The Group concluded that workplace health and safety, regulatory compliance and the product supply chain are issues of high importance.

2.8. Stakeholders' Feedback

The Group welcomes stakeholders' comments and feedbacks regarding its approach and performance on ESG aspects as they are valuable to its continuous improvement and sustainability. If you have any questions, suggestions and recommendations to the Group, please send them to:

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

Email: info@qingdaohi.com

3. ENVIRONMENTAL PERFORMANCE

3.1. Emissions Policies and Compliance

To seek long-term sustainability, the Group is committed to protecting the environment by proactively raising the environmental awareness of its employees and managing its operations at all levels in a sustainable manner. One of the Group's principal operating subsidiaries is engaged in the research, manufacturing and sales of digital Chinese calligraphy educational equipment as well as various digital businesses in the PRC. The manufacturing activities strictly complied with all material aspects of applicable environment protection laws and regulations in the PRC, including but not limited to the following:

– The Environmental Protection Law of the PRC;

– The Energy Conservation Law of the PRC;

– Law of the PRC on the Prevention and Control of Water Pollution;

– Law of the PRC on the Prevention and Control of Pollution from Environmental Noise;

– Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

3.2. Carbon Footprint – Greenhouse Gas Emissions

Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (the "GHG") expressed in terms of equivalent amount of carbon dioxide ("CO_2-e") emission. During the Reporting Period, the total operation area, comprising the Group's headquarters, offices and factory, was 3,530.80 square meters ("m^2") (Previous Period: 3,530.80 m^2) and accounted for 100% of its GHG emissions.

The total net GHG emissions generated by the Group was 59.18 tonnes of carbon dioxide equivalent ("tCO_2-e") (mainly carbon dioxide, methane and nitrous oxide) during the Reporting Period (Previous Period: 74.92 tCO_2-e), and the emission intensity was 0.017 tCO_2-e/m^2 (Previous Period: 0.021 tCO_2-eq/m^2). The electricity consumption resulting from the manufacturing activities was the major GHG emissions during the Reporting Period. The Group has made great efforts in controlling its emissions as well as its consumption of resources. Its energy conservation practices included deploying energy efficient lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using digital technology and recycled paper, encouraging the use of public transport and using tele or video conferencing as an alternative to business travel.

The following table highlights the carbon footprint of the Group:

Scope	Sources of GHG emissions	2019 (Reporting Period) GHG* emissions (in tCO_2-e)	2019 (Reporting Period) Distribution	2019 (Previous Period) GHG* emissions (in tCO_2-e)	2019 (Previous Period) Distribution	% change
1	Mobile – Gasoline & diesel	6.97	11.78%	1.80	2.40%	287.26%
2	Purchased electricity	29.60	50.01%	47.00	62.73%	-37.03%
3	Disposal of paper waste	22.48	38.21%	25.23	34.87%	-13.43%
	Fresh water processing	0.09		0.63		
	Sewage water processing	0.04		0.26		
Total GHG* emissions		59.18		74.92		-21.01%
Emission intensity		0.017		0.021		-20.18%

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

3.3. Air emission

Air emission was generated from motor vehicles used by employees for commuting and transporting goods. Motor vehicles emit a considerable amount of pollutants into the environment. The following table highlights the total air emission of the Group.

Types of Pollutants	2019 (Reporting Period)	2019 (Previous Period)
	Emission Data (kilogram) ("kg")	
Nitrogen Oxides (NO_X)	1.80	0.56
Sulphur Dioxide (SO_2)	0.038	0.01
Particulate Matter	0.13	0.04

3.4. Hazardous and Non-hazardous Waste Disposal

The operating activities of the Group does not produce any hazardous waste to the environment. Paper and its related marketing materials and stationery waste were the only non-hazardous waste generated by the Group during the Reporting Period. The GHG emissions constituted by paper waste was 22.48 tCO_2-e (Previous Period: 25.23 tCO_2-e). Paper waste from the offices was collected by the property management for recycling and disposal.

3.5. Use of Resources

During the Reporting Period, the primary resources consumed by the Group were electricity, gasoline, diesel, water, paper, and packaging materials. The following table illustrates the consumption of different resources by the Group.

Scope	Sources of GHG emissions	2019 (Reporting Period)			2019 (Previous Period)		
		Consumption	GHG emissions (in tCO_2-e)	Intensity	Consumption	GHG emissions (in tCO_2-e)	Intensity
1	Mobile – Gasoline & diesel	2,578.17 L	6.97	0.12 per employee	663.65 L	1.80	0.03 per employee
2	Purchased electricity	36,557.00 kWh	29.60	10.35 kWh/m^2	58,040.50 kWh	47.00	16.44 kWh/m^2
3	Disposal of paper waste	4,682.95 kg	22.48	0.39 per employee	5,257.18 kg	25.23	0.40 per employee
	Water processing	226 m^3	0.13	0.002 per employee	1,488.40 m^3	0.89	0.014 per employee

Energy Consumption – Electricity

The total electricity consumption was 36,557.00 Kilowatt-hour ("kWh") (Previous Period: 58,040.50 kWh), and the energy intensity was 10.35 kWh/m^2 (Previous Period: 16.44 kWh/m^2) during the Reporting Period.

Fossil Fuel Consumption – Gasoline and Diesel

The air emission of motor vehicles may affect the people and neighbouring communities through its environmental impact. A total of 2,461.83 litres of gasoline (Previous Period: 663.65 litres) and 116.34 litres (Previous Period: nil) of diesel were used during the Reporting Period. Regular maintenance on vehicles were conducted to ensure optimal performance and enhance energy use.

Water Consumption

The Group did not encounter any issue in sourcing water that is fit for purpose during the Reporting Period. The total freshwater consumption generated by the factory location was 226 cubic meters ("m^3") (Previous Period: 1,488.40 m^3). The water consumption of the offices was not recorded as it was covered in the property management fee and the relevant information was not available. Besides, the amount of water used in the offices was not significant. The Group has actively introduced water conservation measures in the manufacturing facility to enhance water efficiency and save this precious natural resource on earth.

Paper Consumption

Reducing the consumption of paper in its offices has been one of the environmental objectives of the Group. A total of 4,682.95 kg of paper (Previous Period: 5,257.18 kg) was used by administration and marketing purposes including papers and printed matters used for product exhibition in the PRC during the Reporting Period.

Total Packaging Material Used for Finished Products

Given the business nature, the use of packaging materials seems unavoidable to the Group. Various packaging materials ranging from plastic wrapping, stretch films, foam board and adhesive type were used for the packaging of finished products. Approximately 1,881.57 kg (Previous Period: 2,356.50 kg) of packaging materials were used for product protection and transportation during the Reporting Period. The Group constantly considers and evaluates the use of more environmentally friendly materials in the packaging process and aims to reduce the weight and consumption of packaging materials by encouraging employees and suppliers' feedback through research and discussions to minimise its environmental impact.

3.6. The Environment and Natural Resources

To seek long-term sustainability of the environment and community where it operates, the Group has made great efforts in controlling its emissions as well as documenting its consumption of resources, and has strictly complied with the relevant environmental laws and regulations in Hong Kong and the PRC in its daily operations. With some of the Group's businesses conducted mainly indoor, minimal environmental impact is caused by office-based work.

4. EMPLOYMENT AND LABOUR PRACTICES

4.1. Employment Policies and Compliance

At as 31 December 2019, the total workforce of the Group was 58 (Previous Period: 63). The employee composition of the Group is set out in the following table.

Employee Structure		2019 (Reporting Period)	2019 (Previous Period)	2018
Total number of employees		58	63	42
By gender				
	Male	75.9%	76.2%	66.7%
	Female	24.1%	23.8%	33.3%
By age				
	18–25	29.3%	30.2%	23.8%
	26–35	44.9%	33.3%	21.4%
	36–45	15.5%	19.0%	28.6%
	46–55	8.6%	12.7%	21.4%
	56 or above	1.7%	4.8%	4.8%
Turnover Rate		24.0%	2.0%	7.0%

As human resource is one of the key elements to the Group's future development and success, the Group continues to foster a sense of ownership at work by building a stimulating yet harmonious working environment among its employees.

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

4.2. Occupational Health and Safety

Ensuring the health and wellbeing of employees is an important material aspect of the Group as human resource is one of the Group's most valuable assets. In compliance with the relevant occupational health and safety regulations in Hong Kong and the PRC, and to maintain a healthy and safe working environment; trainings, instructions and guidelines regarding health and safety precautions are developed and communicated to the employees periodically. Trainings on good workplace practices that are tailored specifically to the nature of work and working environment were provided. The Group also emphasises on employees' safety performance during manufacturing operations by providing relevant trainings, conducting functional and safety checks, and arranging regular maintenance of equipment. During the Reporting Period, the Group did not violate any related health and safety regulations and ordinance in Hong Kong and the PRC.

Occupational Health and Safety Data	2019 (Reporting Period)	2019 (Previous Period)	2018
Number of Work-related Fatalities	0	0	0
Work injury cases with leave of absence >3 days	0	0	0
Work injury cases with leave of absence <3 days	0	0	0
Lost days due to work injury	0	0	0
Work injury rate	0	0	0

4.3. Employee Training and Development

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

The following table sets out the average hours of training that the Group's employees have undertaken during the Reporting Period by employee category:

Employee Category	2019 (Reporting Period)	2019 (Previous Period)
Senior Management	15	20
Middle Management	15	20
Executive	12	15

4.4. Labour Practices and Compliance

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

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

5. SUPPLY CHAIN MANAGEMENT

The Group's procurement policy is to ensure that products and services are procured in an honest, competitive, fair, and transparent manner. Products and services suppliers are being selected based on tender terms and factors including their reputation, financial reliability, product quality and price stability. Sourcing for supplies is generally executed by the Administration Department. The approved suppliers list is updated periodically and communicated to employees annually. The Group has 39 products and services suppliers on the approved suppliers' list. The Group recognises the importance of using strategic suppliers who offer innovative, high quality, environmentally friendly, safe and technologically advanced products to meet the Group's developing needs.

6. PRODUCT RESPONSIBILITY AND QUALITY ASSURANCE PROCESS

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

6.1. Protecting Intellectual Property Rights

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

6.2. Data Protection and Privacy Policies

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

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

To uphold and promote the highest standards of ethical corporate practices and to support the value of integrity and accountability, the Group ensures that all applicable rules and regulations with regards to corruption, money laundering, extortion, fraudulent activities and conflict of interest are complied with to ensure businesses are conducted in an honest and transparent manner. As a money lender's license holder, the Group developed comprehensive credit approval policy and process in accordance with the Money Lenders Ordinance (the "MLO"), to prevent and detect money laundering and ensure the money lending business is compliant with the MLO. As stipulated in the Group's Code of Conduct, all directors and employees must adhere to the ethical consideration when engaging in the Group's business activities. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that would have any significant impact on the Group, nor any corruption litigation against the Group or its employees.

7.1. Preventive Measures and Whistle-blowing Procedures

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

8. COMMUNITY CARE

The Group is committed to conducting business in a way which minimises any potential environmental and social impact to its stakeholders, in particular its employees and community members. The Group will explore opportunities in participating in future charity or community events to play a part in strengthening the Hong Kong community.

9. TOWARDS SUSTAINABLE DEVELOPMENT

People are becoming more and more concerned about health, wellness and issues such as climate change, natural resource depletion and environmental degradation. The Group recognises that improving resource use efficiency and minimising potential environmental and social impact to its stakeholders are of ultimate importance. The Group's educational business is an instrument to support and strengthen the idea of sustainable development in the community. The Group will continue to consider the possible environmental and social impacts as well as economic aspects when making decisions in developing its business environmentally and strategically.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Qingdao Holdings International Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Qingdao Holdings International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 123, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the nine months ended 31 December 2019 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2019, the Group's investment properties amounted to HK$538,656,000 and represented 72% of the Group's total assets. As disclosed in note 3 to the consolidated financial statements, the Group's investment properties were stated at fair values based on valuations carried out by an independent and professionally qualified valuer (the "Valuer"). The valuations of the investment properties were dependent on certain significant unobservable inputs, including term yield, reversionary yield, reversionary rents and adjusted market price. Management's assessment on the fair value of investment properties was significant to the audit because this process requires significant judgements and estimates. We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, along with the judgments involved in determining the inputs used in the valuation. Related disclosures are included in note 3 and note 13 to the consolidated financial statements.	Our procedures in relation to valuation of the investment properties included: • Obtaining an understanding of management controls over the valuation of investment properties; • Evaluating the competence, capabilities and objectivity of the Valuer; • Assessing the scope of the valuations, significant assumptions and key inputs in the valuation by involving our internal valuation specialists to assist us in checking the source data and methodology used in the valuation; and • Assessed the adequacy of the disclosures of the valuations of investment properties in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
As at 31 December 2019, the carrying values of goodwill and intangible assets that have been allocated to the production and sale of education equipment business were HK$5,789,000 and HK$22,089,000, respectively. Determining whether goodwill and intangible assets are impaired required the management's estimation of the recoverable amount of the cash-generating unit ("CGU") to which goodwill and intangible assets have been allocated. The management has engaged an independent and professionally qualified valuer (the "Valuer") to carry out the impairment test. In estimating the value in use of the CGU, key assumptions used by the management and the Valuer included discount rate, growth rate, budgeted sales and gross margins of the CGU. These are all subject to the estimates and judgements of the management and the Valuer. The management of the Group determined that there was no impairment of the goodwill and intangible assets as at 31 December 2019. We identified the impairment assessment of goodwill and intangible assets as a key audit matter due to the complexity and significant judgments involved in the management's assessment process. Related disclosures are included in notes 3, 15 and 16 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill and intangible assets included: • Involving our internal valuation specialists to assist us to evaluate the methodologies and discount rate applied in determining the recoverable amount of the CGU to which goodwill and intangible assets has been allocated in the impairment test; • Evaluating the underlying data used by the Group in determining the recoverable amount of the CGU to which goodwill and intangible assets have been allocated in the impairment test; • Checking the mathematical accuracy on the calculation of the recoverable amount of the CGU to which goodwill and intangible assets have been allocated; and • Reperforming the sensitivity analysis about the recoverable amount with the assistance from our internal valuation specialists.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2019

	NOTES	**Nine months ended 31 December 2019 HK$'000**	Year ended 31 March 2019 HK$'000
Revenue			
– Goods		**21,193**	23,586
– Rental		**23,736**	31,152
– Interest		**895**	1,200
Total revenue	5	**45,824**	55,938
Finished goods purchased		**(10,702)**	(28,998)
Change in inventories of finished goods		**(848)**	15,411
Increase in fair value of investment properties	13	**10,963**	1,698
Other income and gains	5	**6,177**	13,352
Impairment losses on financial assets, net		**(96)**	(71)
Employee benefit expenses		**(5,893)**	(6,896)
Other operating expenses		**(15,300)**	(17,991)
Finance costs	7	**(15,562)**	(20,124)
Profit before tax	6	**14,563**	12,319
Income tax expense	9	**(1,776)**	(1,845)
Profit for the period/year		**12,787**	10,474
Attributable to:			
Owners of the parent		**12,929**	9,535
Non-controlling interests		**(142)**	939
		12,787	10,474
Earnings per share attributable to ordinary equity holders of the parent:	11		
– Basic (HK cents)		**2.59**	1.91
– Diluted (HK cents)		**2.59**	1.91

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements from functional currency to presentation currency	**(15,599)**	(21,845)
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**5,942**	6,475
Other comprehensive loss for the period/year	**(9,657)**	(15,370)
Total comprehensive income/(loss) for the period/year	**3,130**	(4,896)
Attributable to:		
Owners of the parent	**5,200**	(3,007)
Non-controlling interests	**(2,070)**	(1,889)
	3,130	(4,896)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	NOTES	31 December 2019 HK$'000	31 March 2019 HK$'000
Non-current assets			
Property, plant and equipment	12	**23,499**	24,688
Investment properties	13	**538,656**	546,479
Right-of-use assets	14	**1,278**	–
Goodwill	15	**5,789**	6,058
Intangible assets	16	**22,089**	25,239
Financial asset at fair value through profit or loss	17	**13,102**	13,122
Deferred tax assets	27	**3,396**	3,530
Total non-current assets		**607,809**	619,116
Current assets			
Inventories	18	**14,799**	15,647
Trade and other receivables	19	**29,503**	20,790
Loan and interest receivables	20	**9,043**	11,821
Other financial assets	21	**11,111**	–
Cash and cash equivalents	22	**72,765**	71,375
		137,221	119,633
Assets of a disposal group classified as held for sale	23	**–**	4,003
Total current assets		**137,221**	123,636
Current liabilities			
Trade and other payables	24	**9,030**	5,017
Contract liabilities	25	**4,614**	162
Rental deposits from tenants		**503**	219
Interest-bearing bank and other borrowings	26	**50,579**	–
Amount due to the ultimate holding company	35	**–**	4,169
Amount due to an intermediate holding company	35	**–**	276
Income tax payable		**61**	154
Total current liabilities		**64,787**	9,997
Net current assets		**72,434**	113,639
Total assets less current liabilities		**680,243**	732,755

	NOTES	**31 December 2019 HK$'000**	31 March 2019 HK$'000
Non-current liabilities			
Rental deposits from tenants		**294**	819
Interest-bearing bank and other borrowings	26	**254**	–
Loan from the ultimate holding company	35	**382,222**	400,000
Loan from an intermediate holding company	35	**–**	39,150
Deferred tax liabilities	27	**5,269**	3,712
Total non-current liabilities		**388,039**	443,681
Net assets		**292,204**	289,074
Equity			
Equity attributable to owners of the parent			
Share capital	28	**49,928**	49,928
Reserves		**208,530**	203,330
		258,458	253,258
Non-controlling interests		**33,746**	35,816
		292,204	289,074

Jiang Yi
Director

Yuan Zhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to owners of the Company							
	Share capital HK$'000	Surplus account* HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2018	49,928	328,931	(716)	1,223	(122,842)	256,524	37,705	294,229
Adjustment	–	–	716	–	(975)	(259)	–	(259)
At 1 April 2018 (restated)	49,928	328,931	–	1,223	(123,817)	256,265	37,705	293,970
Exchange differences arising on translation of foreign operations	–	–	–	6,475	–	6,475	–	6,475
Exchange difference on translation of financial statements from functional currency to presentation currency	–	–	–	(19,017)	–	(19,017)	(2,828)	(21,845)
Profit for the year	–	–	–	–	9,535	9,535	939	10,474
Total comprehensive income/(loss) for the year	–	–	–	(12,542)	9,535	(3,007)	(1,889)	(4,896)
At 31 March 2019	49,928	328,931	–	(11,319)	(114,282)	253,258	35,816	289,074
At 1 April 2019	49,928	328,931	–	(11,319)	(114,282)	253,258	35,816	289,074
Exchange differences arising on translation of foreign operations	–	–	–	5,942	–	5,942	–	5,942
Exchange difference on translation of financial statements from functional currency to presentation currency	–	–	–	(13,671)	–	(13,671)	(1,928)	(15,599)
Profit for the period	–	–	–	–	12,929	12,929	(142)	12,787
Total comprehensive income/(loss) for the period	–	–	–	(7,729)	12,929	5,200	(2,070)	3,130
At 31 December 2019	49,928	328,931**	–	(19,048)**	(101,353)**	258,458	33,746	292,204

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

** These reserve accounts comprise the consolidated other reserves of HK$208,530,000 (31 March 2019: HK$203,330,000) in the consolidated statement of financial position.

	NOTES	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**14,563**	12,319
Adjustments for:			
Amortisation of intangible assets	6	**2,075**	2,831
Impairment losses on financial assets, net	6	**96**	71
Change in fair value of a financial asset at fair value through profit or loss	5	**(48)**	191
Depreciation	6	**1,995**	1,595
Unrealised exchange gain		**(5,149)**	(11,056)
Increase in fair value of investment properties	13	**(10,963)**	(1,698)
Finance costs	7	**15,562**	20,124
Bank interest income	5	**(298)**	(695)
Investment income	5	**(672)**	(733)
Operating cash flows before movements in working capital		**17,161**	22,949
Decrease/(increase) in inventories		**848**	(15,411)
Increase in trade and other receivables		**(8,870)**	(2,351)
Decrease in loan and interest receivables		**2,839**	–
Increase/(decrease) in trade and other payables		**4,013**	(10,967)
Increase/(decrease) in contract liabilities		**4,452**	(274)
(Decrease)/increase in rental deposits from tenants		**(241)**	252
Cash generated from/(used in) operations		**20,202**	(5,802)
Hong Kong profits tax paid		**(186)**	(465)
PRC tax paid		**(330)**	(157)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**19,686**	(6,424)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received		**672**	733
Bank interest received		**298**	695
Disposal of investment properties		**4,003**	–
Purchases of financial assets at fair value through profit or loss		**(11,111)**	–
Purchase of items of property, plant and equipment		**(100)**	(787)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(6,238)**	641

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 31 December 2019

	NOTE	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowings		**49,776**	–
Repayment of a loan from an intermediate holding company	35	**(40,052)**	–
Principal portion of lease payment		**(640)**	–
Interest portion of lease payment		**(42)**	–
Interest paid		**(18,895)**	(22,380)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(9,853)**	(22,380)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,595**	(28,163)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		**71,375**	103,861
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(2,205)**	(4,323)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR		**72,765**	71,375

1 CORPORATE AND GROUP INFORMATION

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

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

* *The English name is for identification only.*

During the period, the Group was involved in the following principal activities:

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

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

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

1 CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Capital Scope Limited	British Virgin Islands	US$1	100	–	Investment holding
Capital Up Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding
Classic Charter Limited	Hong Kong	HK$50	–	100	Loan financing
Electronics Tomorrow Property Holdings Limited	British Virgin Islands	US$100	–	100	Investment holding
Hong Kong Hanhe Education Company Limited	Hong Kong	HK$1	–	100	Investment holding
Issegon Company Limited	Hong Kong	HK$300,000	–	100	Property investment and leasing of properties
Leading Sound Limited	British Virgin Islands	US$1	100	–	Investment holding
Prime Concept Development Limited	Hong Kong	HK$1	100	–	Investment holding
Qingdao Holdings (Hong Kong) Limited	Hong Kong	HK$1	100	–	Investment holding
Royal Asset Investments Limited	Hong Kong	HK$1	–	100	Property investment and leasing of properties
青島啟峰科技服務有限公司*	Mainland China	HK$30,000,000	–	100	Property investment and leasing of properties
山東啟華教育科技有限公司**	Mainland China	RMB72,900,000	–	51	Production and sale of education equipment
核建青控開發建設有限公司**#	Mainland China	RMB100,000,000	–	51	Project construction

* Registered as a wholly-foreign owned enterprise under PRC law.

** Registered as Sino-foreign equity joint venture enterprises under PRC law.

\# This company was established by the Group and two third parties independent of the Company and its connected persons on 10 December 2019.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale were stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Change of financial year end date

Pursuant to a resolution of the Board dated 6 December 2019, the Company's financial year end date has been changed from 31 March to 31 December commencing from the financial year of 2019 in order to in line with the financial year end date of its major subsidiaries. Accordingly. the accompanying consolidated financial statements for the current financial period cover a period of nine months from 1 April 2019 to 31 December. The comparative figures presented for the audited consolidated statement of profit or loss, audited consolidated statement of comprehensive income, audited consolidated statement of change in equity, audited consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 April 2018 to 31 March 2019 which may not be comparable with the amounts shown for the current period.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

2.1 BASIS OF PREPARATION (continued)

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for year ended 31 March 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application when applying HKFRS 16 at 1 April 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 April 2019

Accordingly, the Group recognised right-of-use assets of HK$2,098,000 and lease liabilities of HK$1,972,000 as at 1 April 2019. Prepaid rental of HK$126,000 was derecognised, resulting in a decrease in trade and other receivables, as at 1 April 2019.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	2,433
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(306)
	2,127
Weighted average incremental borrowing rate as at 1 April 2019	4.75%
Discounted operating lease commitments as at 1 April 2019	1,972
Lease liabilities as at 1 April 2019	1,972

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. There is no significant impact on the Group's financial statements upon adoption of the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 No mandatory effective date yet determined but available for adoption.

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree' identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial asset at fair value through profit or loss at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset, or in the absence of a principal market, in the most advantageous market for the asset. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and asset and a disposal group held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) 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); and

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	5%
Leasehold improvement	10%
Plant and machinery	10%
Furniture, fixtures and equipment	19% to 32%
Motor vehicles	24%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases (applicable from 1 April 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leased properties	3 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 April 2019) (continued)

Group as a lessee (continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of other equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 April 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loan from and amount due to the ultimate/an intermediate holding company and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks and other financial institutions, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of education equipment for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs or returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

Some contracts for the sale of education equipment provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

(i) *Rights of return*

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) *Volume rebates*

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e.,assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's Bye-Laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Group's presentation currency. The functional currency of the Company is Renminbi while the Hong Kong dollars is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the Company and certain subsidiaries is Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal or liquidation of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain subsidiaries, of which the functional currencies is Renminbi, are translated into Hongkong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these companies which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Estimation uncertainty

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

Fair values of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2019 at their fair values of HK$538,656,000 (31 March 2019: HK$546,479,000). The fair value was based on valuations on these properties conducted by a firm of independent professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. Details of the fair value measurements are set out in note 13.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of future cash flows expected to arise from the cash-generating unit containing goodwill and the intangible assets using a suitable discount rate, growth rates, budgeted sales and gross margins. Where the actual future cash flows are less than expected, or changes in facts and circumstances result in a downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2019, the carrying amounts of goodwill and intangible assets are HK$5,789,000 and HK$22,089,000 (31 March 2019: HK$6,058,000 and HK$25,239,000), respectively. Details of the impairment review are disclosed in note 15 and note 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision of expected credit losses on trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL assessment of the Group's trade receivables is disclosed in note 19.

Estimated useful lives of intangible assets

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that fair value changes of investment properties, certain other income and gains, certain employee benefit expenses, finance costs as well as certain other operating expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, a financial asset at fair value through profit or loss, other financial assets, tax recoverable, certain property, plant and equipment, certain other receivables of the corporate office and assets classified as held for sale.

Segment liabilities exclude certain other payables and accrued charges of the corporate offices as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results

For the nine months ended 31 December 2019

	Segment revenue HK$'000	Segment results HK$'000
Leasing of properties	**23,736**	**20,343**
Production and sale of education equipment	**21,193**	**(107)**
Loan financing	**895**	**828**
Segment total	**45,824**	**21,064**
Increase in fair value of investment properties		**10,963**
Unallocated income and gains		**1,018**
Unallocated expenses		**(18,482)**
Profit before tax		**14,563**

For the year ended 31 March 2019

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

4. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities

	Segment assets		Segment liabilities	
	31 December 2019 HK$'000	31 March 2019 HK$'000	**31 December 2019 HK$'000**	31 March 2019 HK$'000
Leasing of properties	**551,216**	560,023	**389,624**	410,492
Production and sale of education equipment	**52,811**	55,483	**49,166**	40,962
Loan financing	**9,043**	12,080	**–**	100
Segment total	**613,070**	627,586	**438,790**	451,554
Unallocated:				
Cash and cash equivalents	**72,765**	71,375	**–**	–
Others	**59,195**	43,791	**14,036**	2,124
Total	**745,030**	742,752	**452,826**	453,678

Other segment information

For the nine months ended 31 December 2019

Other segment information	**Leasing of properties HK$'000**	**Production and sale of education equipment HK$'000**	**Loan financing HK$'000**	**Others HK$'000**	**Total HK$'000**
Impairment losses recognised in the statement of profit or loss, net	**–**	**157**	**(61)**	**–**	**96**
Depreciation and amortisation	**1,092**	**2,960**	**–**	**18**	**4,070**
Capital expenditure	**–**	**100**	**–**	**–**	**100**

For the year ended 31 March 2019

Other segment information	Leasing of properties HK$'000	Production and sale of education equipment HK$'000	Loan financing HK$'000	Others HK$'000	Total HK$'000
Impairment losses recognised in the statement of profit or loss, net	–	71	–	–	71
Depreciation and amortisation	1,453	2,946	–	27	4,426
Capital expenditure	–	787	–	–	787

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Mainland China	**41,913**	51,578
Hong Kong	**3,911**	4,360
	45,824	55,938

(b) *Non-current assets*

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Mainland China	**405,345**	418,293
Hong Kong	**185,966**	184,171
	591,311	602,464

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of approximately HK$17,648,000 (year ended 31 March 2019: HK$23,723,000) was derived from sales by the leasing of properties segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Revenue from contracts with customers		
Sale of education equipment	**21,193**	23,586
Revenue from other sources		
Gross rental income from investment property operating leases with fixed payments	**23,736**	31,152
Loan financing	**895**	1,200
	45,824	55,938

The performance obligation of sale of education equipment is satisfied upon delivery of goods and payment in advance is generally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint. As at 31 December 2019 and 31 March 2019, the variable consideration was assessed to be minimal.

An analysis of other income and gains is as follows:

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Other income		
Bank interest income	**298**	695
Investment income from a financial asset at fair value through profit or loss	**551**	733
Investment income from other financial assets	**121**	–
Government grant (Note)	**–**	366
Others	**–**	347
	970	2,141

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of other income and gains is as follows: (continued)

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Gains, net		
Net foreign exchange gain	**5,159**	11,402
Gain/(Loss) from change in fair value of a inancial asset at fair value through profit or loss	**48**	(191)
	5,207	11,211
	6,177	13,352

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Auditor's remuneration		**1,780**	2,100
Depreciation of property, plant and equipment	12	**1,251**	1,595
Depreciation of right-of-use assets	14	**744**	–
Amortisation of intangible assets	16	**2,075**	2,831
Impairment loss, net of reversal	19, 20	**96**	71
Investment income from a financial asset at fair value through profit or loss	5	**551**	733
Investment income from other financial assets	5	**121**	–
Government grant	5	**–**	366
Net foreign exchange gain	5	**5,159**	11,402
Gain/(Loss) from change in fair value of a financial asset at fair value through profit or loss	5	**48**	(191)
Cost of inventories sold		**11,550**	13,587
Directors' fees (note 8(a))	8	**510**	593
Other staff costs:			
– Salaries and other benefits		**5,213**	5,725
– Retirement benefit scheme contributions		**170**	578
Total staff costs		**5,893**	6,896
Gross rental income		**(23,736)**	(31,152)
Less: Direct operating expenses that generated rental income during the period/year		**225**	171
		(23,511)	(30,981)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Interest expenses on:		
Loan from the ultimate holding company	**14,184**	18,419
Loan from an intermediate holding company	**542**	1,703
Bank loan Interest	**794**	–
Lease liabilities	**42**	–
Others	**–**	2
	15,562	20,124

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

Directors' and chief executive's remuneration for the period, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

(a) Directors' and chief executive's emoluments

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

	Nine months ended 31 December 2019 Fees HK$'000	Year ended 31 March 2019 Fees HK$'000
Executive Directors:		
Mr. Xing Luzheng (note i)	**–**	–
Mr. Chen Mingdong (note i)	**–**	–
Mr. Jiang Yi (notes i and ii)	**–**	–
Mr. Wang Yimei (note i)	**–**	–
Mr. Yuan Zhi (note i)	**–**	–
Non-executive Director:		
Mr. Li Shaoran	**150**	113
Independent non-executive Directors:		
Mr. Yin Tek Shing, Paul	**90**	120
Mr. Wong Tin Kit	**90**	120
Ms. Zhao Meiran	**90**	120
Mr. Li Xue	**90**	120
	510	593

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

(a) Directors' and chief executive's emoluments (continued)

Notes:

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

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

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

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

(b) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, there was no director (31 March 2019: none). Directors' emoluments are included in the disclosures in note 8(a) above. The emoluments of the 5 (31 March 2019: 5) individuals were as follows:

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Salaries and other benefits	**1,199**	1,822
Retirement benefit scheme contributions	**51**	142
	1,250	1,964

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

	Nine months ended 31 December 2019 Number of employees	Year ended 31 March 2019 Number of employees
Nil to HK$1,000,000	**5**	5

During the current period and prior year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the current period and prior year.

Mainland China

Under the Law of Mainland China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Mainland China subsidiaries was 25% for both the current period and prior year.

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Current tax – Hong Kong		
Charge for the period/year	**35**	2
Underprovision in prior years	**–**	463
Current tax – Mainland China		
Charge for the period/year	**–**	750
Under/(Over) provision in prior years	**57**	(405)
Deferred (note 27)	**1,684**	1,035
Total tax charge for the period/year	**1,776**	1,845

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Profit before tax	**14,563**	12,319
Tax at the domestic income tax rate of 25% (note)	**3,641**	3,080
Expenses not deductible for tax	**1,122**	4,297
Income not subject to tax	**(6,796)**	(11,034)
Tax losses not recognised	**3,981**	5,725
Utilisation of tax losses previously not recognised	**(181)**	(256)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(28)**	(9)
Underprovision in prior years – Hong Kong profits tax	**–**	463
Under/(Over) provision in prior years – Mainland China EIT	**57**	(405)
Others	**(20)**	(16)
Income tax expense for the period/year	**1,776**	1,845

Note: The domestic tax rate, which is Mainland China EIT rate, in the jurisdiction where the operation of the Group is substantially based, is used.

10. DIVIDENDS

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

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the parent is based on the following data:

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**12,929**	9,535

	Number of shares	
	Nine months ended 31 December 2019	Year ended 31 March 2019
Number of shares		
Weighted average number of ordinary shares in issue during the period/year	**499,276,680**	499,276,680

	Nine months ended 31 December 2019	Year ended 31 March 2019
Earnings per shares		
Basic and diluted earnings per share attributable to ordinary equity holders of the parent	**HK2.59 cents**	HK1.91 cents

The Company had no potentially dilutive ordinary shares in issue for both the current period and prior year.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2019						
At 1 April 2019						
Cost	28,248	311	89	704	267	29,619
Accumulated depreciation and impairment	(4,590)	(91)	(5)	(234)	(11)	(4,931)
Net carrying amount	23,658	220	84	470	256	24,688
Cost at 1 April 2019, net of accumulated depreciation and impairment	23,658	220	84	470	256	24,688
Additions	–	–	–	100	–	100
Depreciation provided during the period	(1,059)	(23)	(6)	(118)	(45)	(1,251)
Exchange realignment	–	–	(4)	(22)	(12)	(38)
Cost at 31 December 2019, net of accumulated depreciation and impairment	22,599	197	74	430	199	23,499
At 31 December 2019						
Cost	28,248	311	85	786	255	29,685
Accumulated depreciation and impairment	(5,649)	(114)	(11)	(356)	(56)	(6,186)
Net carrying amount	22,599	197	74	430	199	23,499

The carrying amounts with respect to leasehold land as at 1 April 2019 and 31 December 2019 were HK$22,374,000 and HK$21,372,000, respectively, and the total depreciation with respect to leasehold land for the nine months ended 31 December 2019 was HK$1,002,000.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2019						
At 1 April 2018						
Cost	28,248	311	–	291	–	28,850
Accumulated depreciation and impairment	(3,177)	(60)	–	(107)	–	(3,344)
Net carrying amount	25,071	251	–	184	–	25,506
Cost at 1 April 2018, net of accumulated depreciation and impairment	25,071	251	–	184	–	25,506
Additions	–	–	89	431	267	787
Depreciation provided during the year	(1,413)	(31)	(5)	(135)	(11)	(1,595)
Exchange realignment	–	–	–	(10)	–	(10)
Cost at 31 March 2019, net of accumulated depreciation and impairment	23,658	220	84	470	256	24,688
At 31 March 2019						
Cost	28,248	311	89	704	267	29,619
Accumulated depreciation and impairment	(4,590)	(91)	(5)	(234)	(11)	(4,931)
Net carrying amount	23,658	220	84	470	256	24,688

13. INVESTMENT PROPERTIES

	Commercial properties Total HK$'000
FAIR VALUE	
At 1 April 2018	576,250
Increase in fair value recognised in profit or loss	1,698
Reclassification to assets held for sale (note)	(4,003)
Exchange realignment	(27,466)
At 31 March 2019	546,479
Increase in fair value recognised in profit or loss	10,963
Exchange realignment	(18,786)
At 31 December 2019	538,656

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

The Group's investment properties consist of three properties in Hong Kong and one property and 136 car parks in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Asia-Pacific Consulting and Appraise Limited, independent professionally qualified valuer. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting. Fluctuations in fair value of investment properties are discussed semi-annually among the board of directors of the Company.

The investment properties are leased to related parties and third parties under operating leases, further summary details of which are included in note 14 and note 35(c) to the financial statements.

At 31 December 2019, the Group's investment properties with a carrying value of HK$163,100,000 (31 March 2019: HK$96,203,000) were pledged to secure general banking facilities granted to the Group (note 33).

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Residential properties in Hong Kong	–	–	11,800	11,800
Industrial and commercial in Hong Kong	–	–	92,700	92,700
Commercial properties in Hong Kong	–	–	58,600	58,600
Commercial properties in Mainland China	–	–	345,334	345,334
Car parks in Mainland China	–	–	30,222	30,222
	–	–	538,656	538,656

	Fair value measurement as at 31 March 2019 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Residential properties in Hong Kong	–	–	11,000	11,000
Industrial and commercial in Hong Kong	–	–	92,200	92,200
Commercial properties in Hong Kong	–	–	57,000	57,000
Commercial properties in Mainland China	–	–	354,651	354,651
Car parks in Mainland China	–	–	31,628	31,628
	–	–	546,479	546,479

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (for the year ended 31 March 2019: Nil).

13. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			Nine months ended 31 December 2019	Year ended 31 March 2019
Residential properties in Hong Kong	Income Capitalisation approach	Term yield	**2.55%**	2.75%
		Reversionary yield	**2.60%**	2.75%
		Reversionary rent per sq.ft.	**HK$38**	HK$41–HK$43
Industrial and commercial properties in Hong Kong	Income Capitalisation approach	Term yield	**2.95%**	3.25%
		Reversionary yield	**3.00%**	3.50%
		Reversionary rent per sq.ft.	**HK$14**	HK$18–HK$20
Commercial properties in Hong Kong	Income Capitalisation approach	Term yield	**2.25%**	2.25%
		Reversionary yield	**2.30%**	2.25%
		Reversionary rent per sq.ft.	**HK$72**	HK$80–HK$103
Commercial properties in Mainland China	Income Capitalisation approach	Term yield	**5%**	5%
		Reversionary yield	**5.5%**	5.5%
		Reversionary rent per sq.metre	**HK$111**	HK$113
Car parks in Mainland China	Direct Comparison approach	Adjusted market price per car park	**HK$222,222**	HK$232,558

13. INVESTMENT PROPERTIES (continued)

Under the income capitalisation approach, fair value is estimated taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property. A significant increase (decrease) in the reversionary rent would result in a significant increase (decrease) in the fair value of the investment properties. A Significant increase (decrease) in the term yield and reversionary yield would result in a significant decrease (increase) in the fair value of the investment properties.

Under the direct comparison approach, fair value is estimated assuming sale of each of these car parks in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size. A significant increase (decrease) in the adjusted market price would result in a significant increase (decrease) in the fair value of the car parks.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and other equipment used in its operations. Leases of properties generally have lease terms of 3 years. Other equipment generally has lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Leased properties HK$'000
As at 1 April 2019	2,098
Depreciation charge	(744)
Exchange realignment	(76)
As at 31 December 2019	1,278

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows:

	Lease liabilities HK$'000
Carrying amount at 1 April 2019	1,972
Accretion of interest recognised during the period	42
Payments	(682)
Exchange realignment	(72)
Carrying amount at 31 December 2019	1,260
Analysed into:	
Current portion	1,006
Non-current portion	254

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Nine months ended 31 December 2019 HK$'000
Interest on lease liabilities	**42**
Depreciation charge of right-of-use assets	**744**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 March 2020	**306**
Expense relating to leases of low-value assets	**1**
Total amount recognised in profit or loss	**1,093**

14. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 13) consisting of three properties in Hong Kong and one property and 136 car parks in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$23,736,000 (year ended 31 March 2019: HK$31,152,000), details of which are included in note 4 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Within one year	**33,790**	34,567
After one year but within two years	**32,563**	34,105
After two years but within three years	**30,010**	33,415
After three years but within four years	**5,743**	27,352
After four years but within five years	**1,641**	2,635
After five years	**3,510**	3,241
	107,257	135,315

15. GOODWILL

	HK$'000
At 1 April 2018	
Cost	6,513
Exchange realignment	(455)
At 31 March 2019	6,058
Exchange realignment	(269)
At 31 December 2019	5,789

Goodwill acquired in business combinations was allocated, at acquisition, to an individual cash-generating unit ("CGU"), comprising a subsidiary engaged in the research and development, production and sale of education equipment business.

Impairment testing of goodwill

Production and sale of education equipment business

The recoverable amount of CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 29% (31 March 2019: 31%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 3% (31 March 2019: 2% to 4%) per annum, which is based on industry growth forecasts. The directors of the Company considered no impairment loss was necessary as at 31 December 2019.

16. INTANGIBLE ASSETS

	Design patents HK$'000
31 December 2019	
At 1 April 2019:	
Cost	**28,306**
Accumulated amortisation and impairment	**(3,067)**
Net carrying amount	**25,239**
Cost at 1 April 2019, net of accumulated amortisation and impairment	**25,239**
Amortisation provided during the period	**(2,075)**
Exchange realignment	**(1,075)**
Cost at 31 December 2019, net of accumulated amortisation and impairment	**22,089**
At 31 December 2019:	
Cost	**27,048**
Accumulated amortisation and impairment	**(4,959)**
Net carrying amount	**22,089**

	Design patents HK$'000
31 March 2019	
At 1 April 2018:	
Cost	30,429
Accumulated amortisation and impairment	(254)
Net carrying amount	30,175
Cost at 1 April 2018, net of accumulated amortisation and impairment	30,175
Amortisation provided during the year	(2,831)
Exchange realignment	(2,105)
Cost at 31 March 2019, net of accumulated amortisation and impairment	25,239
At 31 March 2019:	
Cost	28,306
Accumulated amortisation and impairment	(3,067)
Net carrying amount	25,239

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 HK$'000	31 March 2019 HK$'000
Unlisted investment, at fair value	**13,102**	13,122

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

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

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

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

As at 31 December 2019, the fair value of the investment in the sub-fund of HK$13,102,000 (31 March 2019: HK$13,122,000) is determined by reference to the quoted price provided by the issuing financial institution (level 2 measurement).

18. INVENTORIES

	31 December 2019 HK$'000	31 March 2019 HK$'000
Finished goods	**14,799**	15,647

19. TRADE AND OTHER RECEIVABLES

	31 December 2019 HK$'000	31 March 2019 HK$'000
Trade receivables	1,923	1,928
Less: Allowance for credit losses	(228)	(71)
	1,695	1,857
Deposits, prepayments and other receivables	3,932	5,456
Cash in transit	11,380	–
Value-added tax recoverable	12,496	13,477
	29,503	20,790

According to the Group's trading terms with its customers, payment in advance is normally required, except for certain customers, where credit period is allowed. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Deposits, prepayments and other receivables mainly represent prepayments and the deposits with suppliers and other parties. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The expected losses for the deposits, prepayment and other receivables are immaterial to the Group. The credit quality of the financial assets included in prepayments and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

Cash in transit represents the Company's capital injection to the newly established subsidiary. On 31 December 2019, it was still subject to the approval of State Administration of Foreign Exchange, and the subsidiary had not yet received the payment. The subsidiary has received the payment on 2 January 2020.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 December 2019 HK$'000	31 March 2019 HK$'000
Within 1 month	1,204	–
1 to 2 months	–	367
2 to 3 months	93	–
Over 3 months	398	1,490
	1,695	1,857

19. TRADE AND OTHER RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December 2019 HK$'000	31 March 2019 HK$'000
At beginning of period/year	**71**	–
Impairment losses, net	**157**	71
At end of period/year	**228**	71

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Current	**Past due**	**Total**
Expected credit loss rate	**5.21%**	**28.09%**	**11.86%**
Gross carrying amount (HK$'000)	**1,364**	**559**	**1,923**
Expected credit losses (HK$'000)	**71**	**157**	**228**

As at 31 March 2019

	Current	Past due	Total
Expected credit loss rate	0.31%	4.46%	3.68%
Gross carrying amount (HK$'000)	368	1,560	1,928
Expected credit losses (HK$'000)	1	70	71

20. LOAN AND INTEREST RECEIVABLES

	31 December 2019 HK$'000	31 March 2019 HK$'000
Loan	**9,000**	12,000
Interest receivables	**241**	80
	9,241	12,080
Less: Allowance for credit losses	**(198)**	(259)
	9,043	11,821

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

The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and are adjusted to reflect the current condition as appropriate. The loss rate applied at 31 December 2019 was 2.1% (31 March 2019: 2.1%)

21. OTHER FINANCIAL ASSETS

	31 December 2019 HK$'000	31 March 2019 HK$'000
Wealth management product	**11,111**	–

As at the end of the reporting period, the above other financial assets was wealth management product with fixed returns which was stated at amortised cost. The product is principal protected. The expected credit loss for the asset measured at amortised cost is immaterial to the Group.

22. CASH AND CASH EQUIVALENTS

	31 December 2019 HK$'000	31 March 2019 HK$'000
Cash and bank balances	**72,765**	69,050
Time deposits	**–**	2,325
	72,765	71,375

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK$52,217,000 (31 March 2019: HK$43,619,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the deposit rates of the respective periods. The bank balances are deposited with creditworthy banks or financial institutions with no recent history of default.

23. ASSETS OF A DISPOSAL GROUP HELD FOR SALE AND ASSOCIATED LIABILITIES

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

24. TRADE AND OTHER PAYABLES

	31 December 2019 HK$'000	31 March 2019 HK$'000
Trade payables	**1,119**	837
Other payables	**790**	2
Other taxes payable	**1,191**	969
Accrued charges	**5,772**	2,977
Receipt in advance	**158**	232
	9,030	5,017

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2019 HK$'000	31 March 2019 HK$'000
Within 1 month	**392**	490
1 to 2 months	**726**	97
2 to 3 months	**–**	31
Over 3 months	**1**	219
	1,119	837

The trade and other payables are non-interest-bearing.

25. CONTRACT LIABILITIES

	31 December 2019 HK$'000	31 March 2019 HK$'000
Receipt in advance on sales of education equipment	**4,614**	162

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			31 March 2019		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Lease liabilities	**4.75**	**2020**	**1,006**	–	–	–
Bank loans – secured	**4.00**	**Note**	**49,573**	–	–	–
			50,579			–
Non-current						
Lease liabilities	**4.75**	**2021**	**254**	–	–	–
			254			–
Analysed into:						
Bank loans repayable:						
On demand			**49,573**	–	–	–
Other borrowings repayable:						
Within one year or on demand	**–**	**–**	**1,006**	–	–	–
In the second to fifth years, inclusive	**–**	**–**	**254**	–	–	–
			1,260			–
			50,833			–

Note: The Group's bank loans are secured by mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK$163,100,000 (31 March 2019: HK$96,203,000).

27. DEFERRED TAX

The following are analyses of deferred tax assets and liabilities recognised and movements thereon during the current period and prior year:

Deferred tax assets

	Intangible assets HK$'000	Impairment loss HK$'000	Tax losses recognised HK$'000	Total HK$'000
At 31 March 2018 and 1 April 2018	4,182	–	–	4,182
Charged to profit or loss	(396)	–	–	(396)
Exchange realignment	(256)	–	–	(256)
At 31 March 2019 and 1 April 2019	3,530	–	–	3,530
Charged to profit or loss	(290)	58	254	22
Exchange realignment	(151)	(1)	(4)	(156)
At 31 December 2019	3,089	57	250	3,396

Deferred tax liabilities

	Lease liabilities HK$'000	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses recognised HK$'000	Total HK$'000
At 31 March 2018 and 1 April 2018	–	2,125	1,608	(512)	3,221
Charged to profit or loss	–	581	58	–	639
Exchange realignment	–	(148)	–	–	(148)
At 31 March 2019 and 1 April 2019	–	2,558	1,666	(512)	3,712
Charged to profit or loss	2	1,646	314	(256)	1,706
Exchange realignment	–	(149)	–	–	(149)
At 31 December 2019	2	4,055	1,980	(768)	5,269

At 31 December 2019, the Group had unused tax losses of HK$91,248,000 (31 March 2019: HK$75,024,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$5,673,000 (31 March 2019: HK$3,100,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$85,575,000 (31 March 2019: HK$71,924,000) due to it is not considered probable that taxation profit will be available. Tax losses amounting to HK$64,124,000 (31 March 2019: HK$57,384,000) may be carried forward indefinitely under current tax regulations in Hong Kong. The remaining balance amounting to HK$27,124,000 (31 March 2019: HK$17,640,000) arising in Mainland China may be carried forward for five years.

28. SHARE CAPITAL

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

29. SHARE OPTION SCHEME

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

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

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

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

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

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

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	31 December 2019	31 March 2019
Percentage of equity interest held by non-controlling interests:		
山東啟華教育科技有限公司	**49%**	49%

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Profit for the period/year allocated to non-controlling interests:		
山東啟華教育科技有限公司	**(142)**	939
Accumulated balances of non-controlling interests at the reporting date:		
山東啟華教育科技有限公司	**33,746**	35,816

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

山東啟華教育科技有限公司

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Revenue	**21,193**	23,586
Total expenses	**21,483**	21,667
(Loss)/Profit for the period/year	**(290)**	1,919
Current assets	**46,236**	44,866
Non-current assets	**31,906**	29,484
Current liabilities	**(9,017)**	(1,256)
Non-current liabilities	**(256)**	–
Net cash flows from/(used in) operating activities	**20,378**	(16,312)
Net cash flows used in investing activities	**(10,838)**	(115)
Net cash flows used in financing activities	**(733)**	–
Net increase/(decrease) in cash and cash equivalents	**8,807**	(16,427)

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Interest payable HK$'000	Interest-bearing bank and other borrowings HK$'000	Loan from and amount due to ultimate holding company HK$'000	Loan from and amount due to an intermediate holding company HK$'000	Total HK$'000
At 1 April 2018	–	–	436,901	39,275	476,176
Changes from financing cash flows	(2)	–	(20,670)	(1,708)	(22,380)
Interest expenses	2	–	18,419	1,703	20,124
Exchange realignment	–	–	(30,481)	156	(30,325)
At 31 March 2019	–	–	404,169	39,426	443,595
Effect of adoption of HKFRS 16	–	1,972	–	–	1,972
At 1 April 2019	–	1,972	404,169	39,426	445,567
Changes from financing cash flows	–	49,094	(18,353)	(40,594)	(9,853)
Interest expenses	794	42	14,184	542	15,562
Exchange realignment	(4)	(275)	(17,778)	626	(17,431)
At 31 December 2019	790	50,833	382,222	–	433,845

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Nine months ended 31 December 2019 HK$'000
Within operating activities	307
Within financing activities	682
	989

32. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

33. PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged certain of its investment properties with market value of HK$163,100,000 (31 March 2019: HK$96,203,000) to a bank in Hong Kong to obtain mortgage bank loans in Hong Kong of approximately HK$49,573,000. As at 31 December 2019, the Group had unutilised banking facilities of HK$50.0 million (31 March 2019: the Group had unutilised banking facilities of HK$57,000,000).

34. COMMITMENTS

The Group leased certain of its buildings, plant and other equipment under operating lease arrangements. Leases for buildings and plant were negotiated for terms of three years, and those for other equipment were with terms of 12 months or less.

At 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Year ended 31 March 2019 HK$'000
Within one year	1,242
In the second to fifth years, inclusive	1,191
	2,433

35. RELATED PARTY DISCLOSURES

(a) As at 31 December 2019, a RMB denominated loan from the ultimate holding company of RMB344,000,000 (equivalent to HK$382,222,000) (31 March 2019: RMB344,000,000 (equivalent to HK$400,000,000)) has been renewed to extend the maturity date to 31 December 2022. The loan is unsecured and bears interest at a fixed rate of 4.75% per annum. The Company has recognised interest expense on the loan amounting to RMB12,482,000 (equivalent to HK$14,184,000) for the nine months ended 31 December 2019 (year ended 31 March 2019: RMB15,840,000 (equivalent to HK$18,419,000)). The interest payable of HK$4,169,000 which was included in an amount due to the ultimate holding company in the consolidated statement of financial position as at 31 March 2019 was unsecured, interest-free and repayable within one year from the end of the reporting period.

(b) As at 31 March 2019, a United States dollar ("US$") denominated loan from an intermediate holding company of US$5,000,000 (equivalent to HK$39,150,000)) was unsecured, bore interest at a fixed rate of 4.30% per annum and was repayable on 25 July 2019. The loan has been repaid on the maturity date in the current period. The Company has recognised interest expense on the loan amounting to US$69,000 (equivalent to HK$542,000) for the nine months ended 31 December 2019 (year ended 31 March 2019: US$218,000 (equivalent to HK$1,703,000)). The interest payable of HK$276,000 which was included in an amount due to an intermediate holding company in the consolidated statement of financial position as at 31 March 2019 was unsecured, interest-free and repayable within one year.

(c) During the period, the Group has leased one of its commercial properties in Hong Kong under an operating lease agreement to an intermediate holding company, China Qingdao Development (Holdings) Group Company Limited. The lease period is from 1 June 2019 to 31 May 2020. The Group has recognised rental income of HK$161,000 for the nine months ended 31 December 2019, and the outstanding balances due to the intermediate holding company of HK$23,000 and HK$23,000 which are included in rental deposits from tenants and trade and other payables on the consolidated statement of financial position as at the end of the reporting period are unsecured, interest-free and has no fixed terms of repayment.

(d) **Compensation of key management personnel**

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

	Nine months ended 31 December 2019 HK$'000	Year ended 31 March 2019 HK$'000
Short-term benefits	**510**	593

As detailed in note 8, the emoluments for executive and non-executive directors were borne by the ultimate holding company as they are also directors or employees of the ultimate holding company. There is no reasonable basis to allocate any amount to the Group.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

31 December 2019

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade receivables	–	1,695	1,695
Financial assets included in other receivables	–	191	191
Other financial assets	–	11,111	11,111
Financial asset at fair value through profit or loss	13,102	–	13,102
Loan and interest receivables	–	9,043	9,043
Cash and cash equivalents	–	72,765	72,765
	13,102	94,805	107,907

31 March 2019

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade receivables	–	1,857	1,857
Financial assets included in other receivables	–	203	203
Loan and interest receivables	–	11,821	11,821
Financial asset at fair value through profit or loss	13,122	–	13,122
Cash and cash equivalents	–	71,375	71,375
	13,122	85,256	98,378

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

31 December 2019

	Financial liabilities at amortised cost HK$'000
Trade payables	**1,119**
Financial liabilities included in other payables	**6,562**
Interest-bearing bank borrowings	**50,833**
Loan from the ultimate holding company	**382,222**
	440,736

31 March 2019

	Financial liabilities at amortised cost HK$'000
Trade payables	837
Financial liabilities included in other payables	2,979
Loan from and amount due to the ultimate holding company	404,169
Loan from and amount due to an intermediate holding company	39,426
	447,411

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2019 HK$'000	31 March 2019 HK$'000	**31 December 2019 HK$'000**	31 March 2019 HK$'000
Financial assets				
Financial asset at fair value through profit or loss	**13,102**	13,122	**13,102**	13,122

	Carrying amounts		Fair values	
	31 December 2019 HK$'000	31 March 2019 HK$'000	**31 December 2019 HK$'000**	31 March 2019 HK$'000
Financial liabilities				
Interest-bearing bank borrowings	**49,573**	–	**49,573**	–
Loan from and amount due to the ultimate holding company	**382,222**	404,169	**382,222**	404,169
Loan from and amount due to an intermediate holding company	**–**	39,426	**–**	39,426
	431,795	443,595	**431,795**	443,595

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in other receivables, loan and interest receivables, trade payables and financial liabilities included in other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank borrowings and loan from and amount due to the ultimate/an intermediate holding company have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the interest-bearing bank borrowings and loan from and amount due to the ultimate/an intermediate holding company as at 31 December 2019 were assessed to be insignificant.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group also invests in an unlisted investment issued by a financial institution in Hong Kong, the fair value of which was determined with reference to the quoted price provided by the issuing financial institution.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair values:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial asset at fair value through profit or loss	**–**	**13,102**	**–**	**13,102**

As at 31 March 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial asset at fair value through profit or loss	–	13,122	–	13,122

Liabilities measured at fair values:

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 31 March 2019. During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31 March 2019: Nil).

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings	**–**	**49,573**	**–**	**49,573**
Loan from the ultimate holding company	**–**	**382,222**	**–**	**382,222**
	–	**431,795**	**–**	**431,795**

As at 31 March 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Loan from and amount due to the ultimate holding company	–	404,169	–	404,169
Loan from and amount due to an intermediate holding company	–	39,426	–	39,426
	–	443,595	–	443,595

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise and trade and other receivables, loan and interest receivables, a financial asset at fair value through profit or loss, other financial assets, cash and cash equivalents, trade and other payables, interest-bearing bank and other borrowings and amounts due to an intermediate holding company and the ultimate holding company and loans from an intermediate holding company and the ultimate holding company. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, other price risk, interest rate risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ and US$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in HK$/US$ rate	**Increase/ (decrease) in profit before tax**
	%	HK$'000
Nine months ended 31 December 2019		
If the RMB weakens against the HK$	5	10,638
If the RMB strengthens against the HK$	(5)	(10,638)
If the RMB weakens against the US$	5	(1,883)
If the RMB strengthens against the US$	(5)	1,883
Year ended 31 March 2019		
If the RMB weakens against the HK$	5	8,684
If the RMB strengthens against the HK$	(5)	(8,684)
If the RMB weakens against the US$	5	(1,860)
If the RMB strengthens against the US$	(5)	1,860

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Other price risk

The Group is exposed to equity price risk through its investment in a financial asset at fair value through profit or loss (note 17). The Group does not have a formal policy to manage its price risk arising from its investment in the financial asset.

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

With all other variables held constant, if the quoted price of the financial asset at fair value through profit or loss measured at fair value had been 10% higher/lower than the actual closing price as at the period end, the post-tax profit for the nine months ended 31 December 2019 would increase/decrease by approximately HK$1,310,000 (year ended 31 March 2019: HK$1,312,000).

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank loans with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000
Nine months ended 31 December 2019		
Hong Kong dollar	100	100
Hong Kong dollar	(100)	(100)
United States dollar	100	396
United States dollar	(100)	(396)

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, loan and interest receivables, financial assets included in other receivables, a financial asset at fair value through profit or loss and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments, and they were all classified within stage 1 as at 31 December 2019, which is mainly based on past due information unless other information is available without undue cost or effort.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables and loan and interest receivables are respectively disclosed in notes 19 and note 20 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, loans from and amounts due to the ultimate holding company and an intermediate holding company, lease liabilities and other interest-bearing loans. 4% of the Group's debts would mature in less than one year as at 31 December 2019 (31 March 2019: 4%) based on the carrying value of borrowings reflected in the financial statements.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. It is the Group's policy to renew its loan agreements with the ultimate holding company, or major banks upon the maturity of the Group's short and long term borrowings when funding is needed.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2019

	On demand or no fixed terms of repayment HK$'000	**Within one year HK$'000**	**Over one year HK$'000**	**Total HK$'000**
Trade and other payables	**7,681**	**–**	**–**	**7,681**
Interest-bearing bank borrowings	**49,573**	**–**	**–**	**49,573**
Loan from and amount due to the ultimate holding company	**–**	**18,155**	**418,533**	**436,688**
	57,254	**18,155**	**418,533**	**493,942**

31 March 2019

	On demand or no fixed terms of repayment HK$'000	Within one year HK$'000	Over one year HK$'000	Total HK$'000
Trade and other payables	3,816	–	–	3,816
Loan from and amount due to the ultimate holding company	–	19,000	419,000	438,000
Loan from and amount due to an intermediate holding company	–	1,677	40,677	42,354
	3,816	20,677	459,677	484,170

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The capital structure of the Group consists of net debt, which includes trade and other payables, interest-bearing bank borrowings, loans from and amount due to the ultimate holding company and an intermediate holding company, net of cash and cash equivalents and equity attributable to owners of the parent, comprising issued share capital and reserves. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2019 HK$'000	31 March 2019 HK$'000
Trade and other payables	**7,681**	3,816
Interest-bearing bank borrowings	**49,573**	–
Loan from the ultimate holding company	**382,222**	400,000
Loan from an intermediate holding company	**–**	39,150
Amount due to the ultimate holding company	**–**	4,169
Amount due to an intermediate holding company	**–**	276
Less: Cash and cash equivalents	**(72,765)**	(71,375)
Net debt	**366,711**	376,036
Total equity	**292,204**	289,074
Gearing ratio	**56%**	57%

39. EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus disease 2019 ("COVID-19") was spread to various countries and regions, including Mainland China and Hong Kong in early 2020. It has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various measures to mitigate such impact.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2019 HK$'000	31 March 2019 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**19**	30
Interests in subsidiaries	**314,510**	264,452
Total non-current assets	**314,529**	264,482
CURRENT ASSETS		
Other receivables	**13**	291
Cash and cash equivalents	**2,305**	887
Total current assets	**2,318**	1,178
CURRENT LIABILITIES		
Other payables and accruals	**3,318**	1,429
Amounts due to subsidiaries	**96,268**	92,139
Interest-bearing bank and other borrowings	**49,573**	–
Total current liabilities	**149,159**	93,568
NET CURRENT LIABILITIES	**(146,841)**	(92,390)
TOTAL ASSETS LESS CURRENT LIABILITIES	**167,688**	172,092
Net assets	**167,688**	172,092
EQUITY		
Share capital	**49,928**	49,928
Reserves (note)	**117,760**	122,164
Total equity	**167,688**	172,092

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

Note:

A summary of the Company's reserves is as follows:

	Contributed surplus HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	629,209	–	(509,705)	119,504
Profit and total comprehensive income for the year	–	(11,455)	14,115	2,660
At 31 March 2019 and 1 April 2019	629,209	(11,455)	(495,590)	122,164
Profit and total comprehensive expense for the period	–	(7,722)	3,318	(4,404)
At 31 December 2019	629,209	(19,177)	(492,272)	117,760

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

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

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

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

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2020.

SCHEDULE OF PRINCIPAL PROPERTIES

Location	Approximate gross floor area (sq. ft.)	Use	Term of lease	Group's ownership
INVESTMENT PROPERTIES				
Flat E on 13th Floor, Hing On Mansion, On Shing Terrace, No. 5 Tai Yue Avenue, Taikoo Shing, Hong Kong	678	Residential	Medium-term lease	100%
Workshop Unit Nos. 03 to 07 on 9th Floor, Harbour Centre Tower 1, No. 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong	16,225	Industrial and commercial	Medium-term to long lease	100%
Office Unit No. 1805, 18th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	1,554	Commercial	Medium-term lease	100%
All office units on 4th Floor to 6th Floor and 12th Floor to 21st Floor and car parking spaces, "22nd Century Plaza", No. 39 Long Cheng Road, Shibei District, Qingdao City, Shandong Province, Mainland China	179,908	Commercial	Long lease	100%