

大唐投資國際有限公司\*

GRAND INVESTMENT INTERNATIONAL LTD.

(incorporated in Bermuda with limited liability)

Stock Code: 1160

Positioned for

*Growth*

**INTERIM  
REPORT**  
2018

\* for identification purpose only

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Lee Wai Tsang, Rosa

*(resigned on 1 October 2018)*

Mr. Wang Kaizhen

*(appointed on 1 October 2018)*

### Non-Executive Director

Mr. He Luling *(Chairman)*

### Independent Non-Executive Directors

Ms. Ma Yin Fan

Ms. Yan Yan

Mr. Xu Yanfa

## COMPANY SECRETARY

Ms. Leung So Sze

## AUDIT COMMITTEE

Ms. Ma Yin Fan

Mr. He Luling

Ms. Yan Yan

Mr. Xu Yanfa

## REMUNERATION COMMITTEE

Ms. Yan Yan

Mr. He Luling

Ms. Ma Yin Fan

Mr. Xu Yanfa

## NOMINATION COMMITTEE

Mr. He Luling

Ms. Ma Yin Fan

Ms. Yan Yan

Mr. Xu Yanfa

## INVESTMENT MANAGER

Evergrande Securities (Hong Kong) Limited

*(ceased to provide service from 1 July 2018)*

A3, 32/F, United Centre

No. 95, Queensway Hong Kong

Avanta Investment Management Limited

*(commenced providing service from*

*1 July 2018)*

Unit D, 23/F, United Centre

No. 95 Queensway, Hong Kong

## CUSTODIAN

DBS Bank Ltd., Hong Kong Branch

18/F, The Center

99 Queen's Road Central

Hong Kong

# Corporate Information

## AUDITORS

Crowe (HK) CPA Limited  
9/F., Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## PRINCIPAL BANKER

OCBC Wing Hang Bank Limited  
161 Queen's Road Central  
Hong Kong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 503, 5/F, Greenfield Tower  
Concordia Plaza, 1 Science Museum Road  
Kowloon, Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F, 148 Electric Road  
North Point, Hong Kong

## LEGAL ADVISERS TO THE COMPANY

### As to Hong Kong law:

Zhong Lun Law Firm  
409 Jardine House,  
1 Connaught Place, Central,  
Hong Kong

### As to Bermuda law:

Conyers Dill & Pearman  
2901, One Exchange Square  
8 Connaught Place,  
Central, Hong Kong

## WEBSITE

<http://www.irasia.com/listco/hk/grandinvestment/>

# Unaudited Condensed Interim Financial Statements

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Grand Investment International Ltd. (the “Company”) is pleased to announce the unaudited condensed interim results of the Company for the six months ended 30 September 2018 (the “Period”) together with the comparative figures for the corresponding period in 2017. These condensed interim financial statements have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”) and also reviewed by independent auditors, Messrs. Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

**Grand Investment International Ltd.**

**He Luling**

*Chairman*

# Report on Review of Condensed Interim Financial Statements



國富浩華（香港）會計師事務所有限公司  
Crowe (HK) CPA Limited  
香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## TO THE BOARD OF DIRECTORS OF GRAND INVESTMENT INTERNATIONAL LTD.

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the condensed interim financial statements set out on pages 7 to 32 which comprise the condensed statement of financial position of Grand Investment International Ltd. (the “Company”) as of 30 September 2018 and the related condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# Report on Review of Condensed Interim Financial Statements

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of the condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 30 September 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

### **Crowe (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 29 November 2018

### **Yau Hok Hung**

Practising Certificate Number P04911

# Condensed Statement of Comprehensive Income

For the six months ended 30 September 2018

	NOTE	For the six months ended	
		30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)
NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		(511)	–
OTHER INCOME	4	43	15
IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENT		–	(1,355)
GENERAL AND ADMINISTRATIVE EXPENSES		(5,003)	(4,525)
LOSS BEFORE TAXATION	5	(5,471)	(5,865)
INCOME TAX	6	–	–
LOSS FOR THE PERIOD		(5,471)	(5,865)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,471)	(5,865)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO: Owners of the Company		(5,471)	(5,865)
LOSS PER SHARE (HK Cents)			
– Basic	7	(3.17)	(3.39)
– Diluted	7	(3.17)	(3.39)

The notes on pages 11 to 32 form part of these unaudited condensed interim financial statements.



# Condensed Statement of Financial Position

As at 30 September 2018

	NOTE	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>51</b>	60
<b>TOTAL NON-CURRENT ASSETS</b>		<b>51</b>	60
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	9	<b>2,269</b>	–
Available-for-sale investments	10	–	13,679
Deposits, prepayments and other receivables	11	<b>449</b>	1,396
Cash and cash equivalents	12	<b>17,331</b>	12,639
<b>TOTAL CURRENT ASSETS</b>		<b>20,049</b>	27,714
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	13	<b>782</b>	524
Deposit received		–	7,500
<b>TOTAL CURRENT LIABILITIES</b>		<b>782</b>	8,024
<b>NET CURRENT ASSETS</b>		<b>19,267</b>	19,690
<b>NET ASSETS</b>		<b>19,318</b>	19,750
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>17,280</b>	17,280
Reserves		<b>2,038</b>	2,470
<b>TOTAL EQUITY</b>		<b>19,318</b>	19,750
<b>NET ASSET VALUE PER SHARE</b>		<b>HK\$0.11</b>	HK\$0.11

The notes on pages 11 to 32 form part of these unaudited condensed interim financial statements.

# Condensed Statement of Changes in Equity

For the six months ended 30 September 2018

	Share capital HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2017 (Audited)	17,280	37,786	(24,878)	30,188
Loss and total comprehensive loss for the period	-	-	(5,865)	(5,865)
Balance at 30 September 2017	17,280	37,786	(30,743)	24,323
Balance at 31 March 2018 ( <i>Note</i> )	<b>17,280</b>	<b>37,786</b>	<b>(35,316)</b>	<b>19,750</b>
Impact on initial application of HKFRS 9	-	-	<b>5,039</b>	<b>5,039</b>
Adjusted balance at 1 April 2018	<b>17,280</b>	<b>37,786</b>	<b>(30,277)</b>	<b>24,789</b>
Loss and total comprehensive loss for the period	-	-	<b>(5,471)</b>	<b>(5,471)</b>
Balance at 30 September 2018 (Unaudited)	<b>17,280</b>	<b>37,786</b>	<b>(35,748)</b>	<b>19,318</b>

*Note:* The Company has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 11 to 32 form part of these unaudited condensed interim financial statements.

# Condensed Statement of Cash Flows

For the six months ended 30 September 2018

	For the six months ended	
	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	4,659	(2,439)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	33	(46)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	4,692	(2,485)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	12,639	8,688
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17,331	6,203
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	17,331	6,203

The notes on pages 11 to 32 form part of these unaudited condensed interim financial statements.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 1. BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 November 2018.

The unaudited condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017/18 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018/19 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an unaudited condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These unaudited condensed interim financial statements contain condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2017/2018 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The unaudited condensed interim financial statements are unaudited, but have been reviewed by Crowe (HK) CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. Crowe (HK) CPA Limited’s independent review report to the Board of Directors is included on pages 5 to 6.

The financial information relating to the financial year ended 31 March 2018 that is included in the unaudited condensed interim financial statements as comparative information does not constitute the Company’s statutory annual financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2018 are available from the Company’s principal place of business in Hong Kong. The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES

### (a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

- HKFRS 9 "Financial Instruments"
- HKFRS 15 "Revenue from Contracts with Customers"

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9.

The Company has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9.

Under the transition methods chosen, the Company recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the statement of financial position that has been impacted by HKFRS 9:

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (a) Overview *(continued)*

	At 31 March 2018 HK\$'000	Impact on initial application of HKFRS 9 HK\$'000	At 1 April 2018 HK\$'000
Property, plant and equipment	60	–	60
<b>Total non-current assets</b>	<b>60</b>	<b>–</b>	<b>60</b>
Financial assets at fair value through profit or loss	–	18,718	18,718
Available-for-sale investments	13,679	(13,679)	–
Deposits, prepayments and other receivables	1,396	–	1,396
Cash and cash equivalents	12,639	–	12,639
<b>Total current assets</b>	<b>27,714</b>	<b>5,039</b>	<b>32,753</b>
Other payables and accruals	(524)	–	(524)
Deposit received	(7,500)	–	(7,500)
<b>Total current liabilities</b>	<b>(8,024)</b>	<b>–</b>	<b>(8,024)</b>
<b>Net current assets</b>	<b>19,690</b>	<b>5,039</b>	<b>24,729</b>
<b>Net assets</b>	<b>19,750</b>	<b>5,039</b>	<b>24,789</b>
Share capital	17,280	–	17,280
Reserves	2,470	5,039	7,509
<b>Total equity</b>	<b>19,750</b>	<b>5,039</b>	<b>24,789</b>

Further details of these changes are set out in sub-sections (b) of this note.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) **HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation**

HKFRS 9 replaces HKAS 39 “*Financial Instruments: Recognition and Measurement*”. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Company has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Company has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated losses at 1 April 2018:

<b>Accumulated losses</b>	HK\$'000
Remeasurement of unlisted equity securities measured at fair value through profit or loss at 1 April 2018	5,039
<b>Net decrease in accumulated losses at 1 April 2018</b>	<b>5,039</b>

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

### (i) **Classification of financial assets and financial liabilities**

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

*(continued)*

#### (i) **Classification of financial assets and financial liabilities**

*(continued)*

Non-equity investments held by the Company are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.



# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

*(continued)*

#### (i) **Classification of financial assets and financial liabilities**

*(continued)*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Company makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

*(continued)*

#### (i) *Classification of financial assets and financial liabilities*

*(continued)*

The following table shows the original measurement categories for each class of the Company's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39			HKFRS 9
	carrying			carrying
	amount at			amount at
	31 March 2018	Reclassification	Remeasurement	1 April 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets carried at amortised cost</b>				
Cash and cash equivalents	12,639	-	-	12,639
Deposits and other receivables	186	-	-	186
	12,825	-	-	12,825
<b>Financial assets carried at FVPL</b>				
Unlisted equity securities	-	13,679	5,039	18,718
<b>Financial assets classified as</b>				
<b>available-for-sale under HKAS 39</b>	13,679	(13,679)	-	-

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Company did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

*(continued)*

#### (ii) **Credit losses**

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Company applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, deposits and other receivables).

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

*(continued)*

#### (ii) **Credit losses** *(continued)*

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For all deposits and other receivables, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

#### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

*(continued)*

#### (ii) **Credit losses** *(continued)*

*Significant increases in credit risk (continued)*

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

*(continued)*

#### (ii) **Credit losses** *(continued)*

*Basis of calculation of interest income on credit-impaired financial assets*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, *Prepayment features with negative compensation* *(continued)*

#### (ii) **Credit losses** *(continued)*

##### *Write-off policy*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

##### *ECL Impact on the Company's financial statements*

The adoption of HKFRS 9 has not had a significant impact on the Company's financial statements in this regard.

#### (iii) **Transition**

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Company).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 3. REVENUE AND SEGMENT REPORTING

### (a) Revenue

The Company had no revenue earned for six months ended 30 September 2018 and 2017.

### (b) Segment Reporting

The Company is principally engaged in investments in listed and unlisted enterprises established in Hong Kong and the People's Republic of China (the "PRC").

No segment information is presented in respect of the Company's business and geographical segments. Throughout the six months ended 30 September 2018 (the "Period"), the Company has been operating principally in a single business and geographical segment.

## 4. OTHER INCOME

	For the six months ended	
	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)
Interest income	43	12
Net exchange gain	–	3
	<b>43</b>	15



# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	For the six months ended	
	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)
Provision for auditors' remuneration	140	75
Depreciation	10	3
Investment manager fee	286	173
Legal and professional fees	1,035	1,482
Operating lease payments	300	421
Directors' remuneration	1,364	623
Staff costs (excluding directors' emoluments)		
– Salaries, bonus and allowances	1,122	640
– Mandatory provident fund contributions	17	12

## 6. TAXATION

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimate average annual tax rate used is 16.5% for the Period (period ended 30 September 2017: 16.5%). No provision has been made for Hong Kong Profits Tax as there were no estimated Hong Kong assessable profits for the Period (period ended 30 September 2017: Nil).

## 7. LOSS PER SHARE

The calculation of loss per ordinary share is based on the unaudited loss attributable to shareholders of approximately HK\$5,471,000 for the Period (period ended 30 September 2017: loss of approximately HK\$5,865,000) and the weighted average of 172,800,000 ordinary shares (period ended 30 September 2017: 172,800,000 ordinary shares) in issue during the Period.

There were no dilutive potential ordinary shares during the six months ended 30 September 2018 and 2017, and therefore, diluted earnings per share are the same as the basic earnings per share.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (period ended 30 September 2017: Nil).

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
<b>Unlisted equity securities (trading and investment securities) – at fair value</b>		
Unlisted equity investment	405	–
Unlisted partnership investment	1,864	–
	<b>2,269</b>	–

## 10. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Unlisted equity investments, at cost less impairment	–	9,678
Unlisted partnership investment, at cost less impairment	–	4,001
	–	13,679

Upon application of HKFRS 9 on 1 April 2018, the Company's unlisted partnership investments and unlisted equity investments were reclassified from available-for-sale investments to financial assets at FVTPL – trading and investment securities.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Deposits and other receivables	195	186
Prepayments	254	1,210
	<b>449</b>	1,396

## 12. CASH AND CASH EQUIVALENTS

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Cash and bank balances	6,681	4,742
Short-term bank deposits	10,650	7,897
	<b>17,331</b>	12,639

## 13. OTHER PAYABLES AND ACCRUALS

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Other payables and accruals	782	524

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 14. SHARE CAPITAL

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
172,800,000 ordinary shares of HK\$0.10 each	<b>17,280</b>	17,280

## 15. RELATED PARTY TRANSACTIONS

During the Period, Evergrande Securities (Hong Kong) Limited (“Evergrande”) (formerly known as Grand Investment (Securities) Limited), in which its director, Mr. Lee Tak Lun is close family member of Ms. Lee Wai Tsang, Rosa, the former director of the Company, is the investment manager of the Company and was entitled to a monthly fee of HK\$28,750 (period ended 30 September 2017: a monthly fee of HK\$28,750) for the provision of investment management services to the Company. During the Period, the Company has reimbursed Grand Finance Company Limited (“GFG”) on administrative expenses shared by the Company on a cost basis. Ms. Lee Wai Tsang, Rosa, the former director of the Company, is also a director of GFG.

Details of related party transactions for the six months ended 30 September 2018 are as below:

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	30 September 2017 HK\$'000 (Unaudited)
Investment manager fee paid to Evergrande	<b>86</b>	173
Rental expenses paid to Evergrande	–	233
Sharing of administration expenses paid to GFG	<b>39</b>	88

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 16. OPERATING LEASE COMMITMENT

At 30 September 2018, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Not later than one year	<b>389</b>	600
In second to fifth year inclusive	–	89
	<b>389</b>	689

## 17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

### (a) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Company's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

*(continued)*

### (a) Financial assets and liabilities measured at fair value *(continued)*

The Company has a team headed by the executive director of the Company performing valuations for the financial instruments, including the unlisted equity securities. The team reports directly to the executive director and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the executive director. Discussion of the valuation process and results with the executive director and the audit committee is held twice a year, to coincide with the reporting dates.

At 30 September 2018, the only financial instruments of the Company carried at fair value were unlisted equity securities of approximately HK\$2,269,000. These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 3 of the fair value hierarchy described above.

During the six months ended 30 September 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

### (i) Information about Level 3 measurements

	Valuation techniques	Significant unobservable inputs	Range	Weight average
Unlisted equity instruments				
– Unlisted partnership investment	Adjusted net assets method	Discount for lack of marketability Non-controlling interest discount	20% to 30% 20% to 30%	25% 25%
– Unlisted equity investment	Market comparable companies	Discount for lack of marketability Non-controlling interest discount	20% to 30% 20% to 30%	25% 25%

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

(continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (i) Information about Level 3 measurements (continued)

The fair value of unlisted partnership investment is determined using adjusted net assets method and the significant unobservable inputs used in the fair value measurement are discount for lack of marketability and non-controlling interest discount. The fair value measurement is negatively correlated to the discount for lack of marketability and non-controlling interest discount. As at 30 September 2018, it is estimated that with all other variables held constant, a decrease/increase in the discount for lack of marketability or non-controlling interest discount by 5% would have increased/decreased the Company's profit by HK\$103,000.

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount and non-controlling interest discount. The fair value measurement is negatively correlated to the discount for lack of marketability and non-controlling interest discount. As at 30 September 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability or non-controlling interest discount by 5% would have increased/decreased the Company's profit by HK\$27,000.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 September 2018		At 30 September 2017
	Unlisted equity investments	Unlisted partnership investments	HK\$'000
	HK\$'000	HK\$'000	
Unlisted equity securities			
At 1 April	14,784	3,934	-
Capital investment returned during the period	-	(2,200)	-
Disposal of unlisted equity securities	(13,738)	-	-
Changes in fair value recognised in profit or loss during the period	(641)	130	-
At 30 September	405	1,864	-

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

*(continued)*

### (a) Financial assets and liabilities measured at fair value *(continued)*

#### (i) Information about Level 3 measurements *(continued)*

From 1 April 2018, any gains or losses arising from the remeasurement of the Company's unlisted equity securities held for trading and short-term investment purposes are recognised in the profit or loss.

### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2018 and 30 September 2018.

## 18. COMPARATIVE FIGURES

The Company has initially applied HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

## 19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

A number of amendments and new standards are effective for annual periods beginning after 1 April 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, Prepayment features with negative compensation, which have been adopted at the same time as HKFRS 9 (see note 2(b)), the Company has not early adopted any new or amended standards in preparing these unaudited condensed interim financial statements.

The Company has the following update to the information provided in the last annual financial statements in respect of HKFRS 16 "Leases", which may have a significant impact on the Company's financial statements.



# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2018

## 19. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018 *(continued)*

### HKFRS 16 “Leases”

As discussed in the 2017/18 annual financial statements, currently the Company classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Company is the lessee under the lease the Company will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding “right-of-use” asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Company’s accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

Information as disclosed in Note 16 above is an updated information about the Company’s future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 September 2018.

Upon the initial adoption of HKFRS 16 at 1 April 2019, the present value of most of the future minimum lease payments that are payable after 1 year will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Company will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

## 20. APPROVAL OF THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

These unaudited condensed interim financial statements were approved by the Board on 29 November 2018.

# Management Discussion and Analysis

## INTERIM RESULTS

During the six months ended 30 September 2018 (the “Period”), the Company recorded a loss of approximately HK\$5,471,000 (period ended 30 September 2017: loss of approximately HK\$5,865,000). The loss was attributed mostly to the administrative expenses of approximately HK\$5,003,000 for the interim period of this year.

The net asset value per ordinary share of HK\$0.10 of the Company was HK\$0.11 as at 30 September 2018 (31 March 2018: HK\$0.11).

## BUSINESS OVERVIEW AND PROSPECTS

In the past six months, the Company continued to integrate and carry on investment management and monitoring of existing portfolio companies. As an investment company, we seek to optimize investment and divestment opportunities, especially when holding equities of private companies. The illiquid nature of private equities presents challenges for disposal. Identifying the right acquirer or divesting our investment is often not guaranteed. The private equity market in China is changing rapidly. Healthy Chinese economic activities are leading to a 6.8% growth in GDP for the first half of 2018, which reflects strong potential of the economy of China. In this reporting period, the Company has appointed a new executive Director with more experience and knowledge in Mainland China investment. Thus, in the future, the Company will focus on investment opportunities in Mainland China and pay attention to those in other areas. We will continue to seek the balance between investment and divestment with the aim to capture the optimal risks and rewards within our portfolio companies for the interests of the shareholders of the Company (“Shareholders”).

## SIGNIFICANT INVESTMENTS HELD

A brief description of the significant investments held by the Company as at 30 September 2018 are summarized as follows:

### Joyport Holdings Limited (“Joyport”)

Joyport is a limited liability company registered in the British Virgin Islands. It is engaged in the business of online game development, distribution and operation, and other related business directly or indirectly through its subsidiaries, affiliates and associated companies in the PRC. Joyport focuses on game development including but not limited to massive multiplayer online role-playing games and mobile games.

# Management Discussion and Analysis

## **CMHJ Technology Fund II, L.P (“CMHJ”)**

CMHJ is a limited partnership registered pursuant to the Exempted Limited Partnership Law of the Cayman Islands on 28 September 2005. The principal activity of CMHJ is to make venture capital investments, principally by investing in and holding equity and equity-oriented securities of privately held early stage to Pre-IPO companies in the technology-enabled services and products industries with markets and/or operations in the PRC.

Save for above investments, the Company has not held any investment, the value of which was over 5% of the Company's net assets value as at 30 September 2018.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

Save as disclosed below, the Company does not have any material acquisitions and disposals of subsidiaries and associates during the Period.

## **SIGNIFICANT EVENTS DURING THE PERIOD**

### **Completion of the TJYS Disposal**

On 1 December 2017, the Company entered into a conditional share transfer agreement (the “TJYS Share Transfer Agreement”) with an independent third party (the “Purchaser”) to dispose of 8,711,964 shares, representing approximately 3.955% of the entire equity interest in 天津一商友誼股份有限公司 (Tianjin Yishang Friendship Holdings Company Ltd.\*) (“Tianjin Yishang”) held by the Company (the “Sale Interest”) at a cash consideration of HK\$15,000,000. The disposal of the Sale Interest (the “TJYS Disposal”) constituted a very substantial disposal for the Company under the Listing Rules. A special general meeting of the Company was held on 15 February 2018 in which the TJYS Disposal was approved by the Shareholders. On 29 March 2018, the Company and the purchaser mutually agreed to extend the long stop date of the TJYS Share Transfer Agreement from 31 March 2018 to 31 May 2018 as additional time was required for the fulfilment of the conditions precedent to completion of the TJYS Disposal. The completion of the TJYS Disposal took place on 28 May 2018, and no gain or loss arising from this disposal was accounted for during the Period. Immediately upon completion of the TJYS Disposal, the Company ceased to have any equity interest in Tianjin Yishang. Details of the TJYS Disposal were disclosed in the announcements of the Company dated 4 December 2017, 30 January 2018, 15 February 2018, 3 April 2018 and 28 May 2018.

# Management Discussion and Analysis

## **CONTINUING CONNECTED TRANSACTIONS – CHANGE OF INVESTMENT MANAGER**

The Company entered into the new investment management agreement (the “Investment Management Agreement”) with the new investment manager (the “Investment Manager”) on 29 June 2018, pursuant to which the Investment Manager has agreed to provide non-discretionary investment management services to the Company for a period of three years starting from 1 July 2018. The Investment Manager is regarded as a connected person of the Company under Rule 14A.08 of the Listing Rules when the Investment Management Agreement became effective. Accordingly, the provision of non-discretionary investment management services by the Investment Manager to the Company under the Investment Management Agreement constitutes continuing connected transactions of the Company. The maximum aggregate fee payable by the Company to the Investment Manager under the Investment Management Agreement will not exceed HK\$800,000 per annum. As the relevant percentage ratios for the transactions contemplated under the Investment Management Agreement on an annual basis are less than 25%, and that each of the Annual Caps is less than HK\$10,000,000, the transactions contemplated under the Investment Management Agreement are subject to reporting and announcement requirements but are exempted from independent shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules.

## **EVENT AFTER THE REPORTING PERIOD**

### **Appointment of Executive Director**

Mr. Wang Kaizhen (“Mr. Wang”) has been appointed as an executive Director of the Company with effect from 1 October 2018 to fill the vacancy following the resignation of Ms. Lee Wai Tsang Rosa (“Ms. Lee”) with effect from 1 October 2018. Mr. Wang also serves as the chairman of the investment committee of the Board with effect from the date of his directorship with the Company following Ms. Lee’s cessation to be the chairman of the investment committee.

Reference is made to the announcement of the Company dated 24 August 2018 in relation to the resignation of executive Director and the announcement of the Company dated 1 October 2018 in relation to the appointment of executive Director.

### **Appointment of Auditors**

With the recommendation of the audit committee of the Company, Crowe (HK) CPA Limited has been appointed as the auditors of the Company with effect from 18 October 2018 to fill the casual vacancy following the retirement of East Asia Sentinel Limited and to hold office until the conclusion of the next annual general meeting of the Company.

# Management Discussion and Analysis

Reference is made to the announcement of the Company dated 9 July 2018 in relation to the retirement of the auditors of the Company and the announcement of the Company dated 18 October 2018 in relation to the appointment of the auditors of the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Company had bank balances of approximately HK\$17,331,000 (31 March 2018: HK\$12,639,000). The Board believes that the Company has sufficient financial resources to meet its immediate investment and working capital requirements. There was no long term borrowing and calculation of gearing ratio was not applicable.

As at 30 September 2018, the Company had net assets of approximately HK\$19,318,000 (31 March 2018: HK\$19,750,000).

## CHARGES ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2018, there were no charges on the Company's assets or any significant contingent liabilities (31 March 2018: Nil).

## CAPITAL EXPENDITURES

The Company did not make any significant capital expenditure during the Period (period ended 30 September 2017: Nil).

## COMMITMENTS

The Company had no capital commitments as at 30 September 2018 (31 March 2018: Nil).

## CAPITAL STRUCTURE

As at 30 September 2018, the total number of ordinary shares of HK\$0.10 each in the Company in issue was 172,800,000 (31 March 2018: 172,800,000).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (period ended 30 September 2017: Nil).

# Management Discussion and Analysis

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Period, the Company had not purchased, sold or redeemed any of its securities (period ended 30 September 2017: Nil).

## **FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET**

The Company did not execute any agreement in respect of material investment or capital asset during the Period and did not have any other plans relating to material investment or capital asset as at 30 September 2018. Nonetheless, if any potential investment opportunity arises in the future, the Company will perform feasibility studies and prepare implementation plans to consider whether it will be beneficial to the Company and the Shareholders as a whole to make such investment.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

The Company held assets and liabilities denominated in HKD, RMB and USD. The Company's cash and cash equivalents were denominated in HKD and USD. Accordingly, it is subject to limited exposure of foreign exchange fluctuation. As it is the Company's policy to maintain relatively minimal exposure to foreign exchange risks, the Company had not used any derivatives and other instruments for currency exchange hedging purposes.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2018, the Company had 5 (31 March 2018: 4) employees, including the executive Director.

Total staff cost for the Period amounted to HK\$2,503,000 (period ended 30 September 2017: HK\$1,275,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of the individual employees.

# Management Discussion and Analysis

## DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

At no time during the Period was the Company or its associated companies a party to any arrangements to enable the Directors or chief executive of the Company to acquire any interests or benefits by means of acquisition of shares, underlying shares in or debentures of the Company.

## DIRECTORS' AND/OR EXECUTIVES' INTEREST IN SHARES

As at 30 September 2018, as far as the Directors are aware, the directors, chief executives and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be 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 and the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules:

### Directors' interests in the shares of associated corporations

Name of associated corporation	Name of Director or chief executive	Capacity	Long/short position	Number of ordinary shares in the associated corporation	Approximate percentage of the issued share capital in the associated corporation
Renown Future Limited	He Luling	Beneficial owner	Long position	1	20%
	Ji Qiang	Beneficial owner	Long position	1	20%

Other than as disclosed above, none of the Company's directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of the SFO as at 30 September 2018.

# Management Discussion and Analysis

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, as far as the Directors are aware, the Company had been notified of the following substantial shareholders' interests or short positions in the shares and underlying shares in the Company (representing 5% or more of the Company's issued share capital) which were recorded in the register maintained by the Company under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Long/short position	Number of shares	Approximate percentage of existing shareholding <i>(Note 3)</i>
1. Renown Future Limited	Beneficial owner	Long position	88,129,080	51.00%
2. Treasure Isle Global Limited	Beneficial owner	Long position	25,954,878 <i>(Note 1)</i>	15.02%
3. Li Bohan ("Mr. Li")	Interest of a controlled corporation	Long position	25,954,878 <i>(Note 1)</i>	15.02%
4. Zhang Jianming ("Mr. Zhang")	Interest of a controlled corporation	Long position	25,954,878 <i>(Note 1)</i>	15.02%
5. Blue Canary Consulting Company Limited	Beneficial owner	Long position	15,516,042 <i>(Note 2)</i>	8.98%
6. Chan Man Fung	Interest of a controlled corporation	Long position	15,516,042 <i>(Note 2)</i>	8.98%

### Notes:

1. Treasure Isle Global Limited is a company incorporated in the British Virgin Islands and is beneficially owned as to 50% by Mr. Li and 50% by Mr. Zhang. Each of Mr. Li and Mr. Zhang is deemed to be interested in the 25,954,878 Shares held by Treasure Isle Global Limited under Part XV of the SFO.
2. Blue Canary Consulting Company Limited is a company incorporated in Samoa and is solely owned by Mr. Chan Man Fung. Mr. Chan Man Fung is taken to be interested in the shares of the Company held by Blue Canary Consulting Company Limited under Part XV of the SFO.
3. The percentage of shareholding is calculated on the basis of 172,800,000 shares in the Company in issue as at 30 September 2018.



# Management Discussion and Analysis

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2018.

## CORPORATE GOVERNANCE

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and the Shareholders. The Company has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the Period, the Company has complied with the code provisions under the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted codes of conduct regarding securities transactions by Directors set out in the Model Code contained in Appendix 10 of the Listing Rules. On specific enquiries made, all Directors confirmed that, in respect of the Period, they have complied with the required standard set out in the Model Code regarding Directors’ securities transactions.

## AUDIT COMMITTEE

The Audit Committee, comprising of the non-executive Director and three independent non-executive Directors, has reviewed with the management of the Company the accounting principles and practices adopted by the Company and discussed the auditing, internal control, risk management and financial reporting matters.

## REVIEW OF UNAUDITED FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited interim financial report for the Period. In addition, the condensed interim financial statements for the Period have been reviewed by our auditors, Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA and an unqualified review report is issued.

## SHARE OPTION SCHEME

The Company does not maintain any share option scheme during the Period.

By order of the Board

**He Luling**

*Chairman*

Hong Kong, 29 November 2018