



**Termbray Industries
International (Holdings) Limited**

Stock Code: 0093

INTERIM REPORT **2019/2020**



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Corporate Information

Executive Directors

Mr. Lee Lap, Chairman
Mr. Tommy Lee,
Vice Chairman & Chief Executive Officer
Mdm. Leung Lai Ping
(resigned on 13 September 2019)
Mr. Wong Shiu Kee

Independent Non-executive Directors

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Ching Yu Lung

Non-executive Director

Mr. Lee Ka Sze, Carmelo
(retired on 13 September 2019)

Company Secretary

Mr. Lo Tai On

Audit Committee

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Lee Ka Sze, Carmelo
(retired on 13 September 2019)
Mr. Ching Yu Lung

Remuneration Committee

Mr. Lo Yiu Hee
Mr. Lee Lap
Mr. Tong Hin Wor

Nomination Committee

Mr. Lee Lap
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

Registered Office

Clarendon House, Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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Hong Kong Registrar and Transfer Office

Tricor Standard Limited
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Hong Kong
Telephone: (852) 2980 1768
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Listing Information

The Listing Code of the Company's share
on The Stock Exchange of Hong Kong
Limited
0093

Principal Banker

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

Legal Advisors in Hong Kong

Woo Kwan Lee & Lo

Auditor

Deloitte Touche Tohmatsu

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2019.

The unaudited consolidated loss attributable to owners of the Company for the six months ended 30 September 2019 amounted to approximately HK\$21,885,000 (six months ended 30/9/2018: loss of HK\$19,696,000). An analysis of the Group’s segment results for the period is set out on pages 31 to 32 of this report.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30/9/2018: Nil).

Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$8,457,000 (six months ended 30/9/2018: HK\$18,955,000) and recorded a loss for the period of HK\$21,885,000 (six months ended 30/9/2018: loss of HK\$19,696,000).

The loss for the current period under review is primarily due to the recognition of foreign exchange loss arising from the devaluation of the Renminbi currency by approximately 6% during the six months ended 30 September 2019 and the recognition of fair value loss of HK\$5 million on an investment property.

Property Investment and Development

The operating environment for the Group's property investment and development business remains stable during the period under review.

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades.

Due to the construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of residential properties in Zhongshan market was stimulated. Comparing with the last corresponding period, the sale activities of the Group's property project in Zhongshan for the remaining residential units is not satisfactory during the current period under review. Facing the overheated environment of the property market in the People's Republic of China ("PRC"), the Central government has laid down a series of regulations and rules to restrict the selling price of residential properties and the qualifications of buyers to purchase residential properties. In Zhongshan, all sale and purchase agreements entered into during the period under review have to be approved by the relevant government authorities before they can be registered in the government's sales system. During the period under review, the Group have entered into 8 sale and purchase agreements, and out of which, 5 sale transactions are approved and registered in the government's property sale system. The Group has recognised the sale of 5 residential units during the period under review (six months ended 30/9/2018: 19 units). Following the increase in sales of residential units, the number of residential units which are available for earning rental income is decreased during the period. The rental income earned by the Group from Ever Success Plaza during the period decreased by approximately 53% from that of last corresponding period. As at 30 September 2019, 61 residential units remained to be sold, out of which 19 residential units were let out.

Money Lending

On 1 August 2018, the Group acquired 100% shareholdings in X8 Finance Limited (“X8 Finance”) at its net asset value of HK\$193,443 from Mr. Lee Lap, a director of the Company and settlor of the Lee & Leung Family Trust. X8 Finance holds a money lending license in Hong Kong. After acquisition, X8 Finance has commenced the property mortgage money lending business in Hong Kong. During the period, the money lending business has achieved satisfactory and healthy growth. The management will cautiously carry out the money lending business in Hong Kong. At this moment, X8 Finance will only consider first mortgage loans for residential properties in Hong Kong. The management will carefully assessed the credit worthiness of the borrowers, the quality and leveraging of the mortgaged properties.

We are looking forward to earning stable interest income to the Group.

Others

There were no acquisitions of major subsidiaries or associates during the period under review.

Liquidity and Financial Resources

The Group remains cash sufficient and has no material capital expenditure commitments. The operations are financed by capital and reserves.

Foreign currency risk of the Group is controllable as the assets of the Group comprised substantially of cash denominated in Hong Kong dollar. No financial instrument is arranged for hedging purposes in respect of interest rate and currency.

Order Book

Due to its business nature, the Group has no order book at 30 September 2019. The Group has no new product and service to be introduced to the market.

Staff and Emolument Policy

As at 30 September 2019, the Group employed 39 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration.

Outlook

China and United States ("US") are experiencing various challenges after the global economic crisis. All of the factors including debt crisis in Europe, the fluctuation in oil price and Renminbi currency, the progress of changes in US interest rate and the trade conflicts between China and US, have an unpredictable impact on the global economy. In China, Central government has implemented various tightening monetary policies to cool down the overheated property market. We believe China will continue to play a key role in the global economic recovery. The Group is confident in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

Property investment and development has been the principal business of the Group for all these years and the Group is looking for investment opportunities in the property markets in the PRC, especially Guangdong province. However, due to the intense competition of the property market in Guangdong province, the Group has not yet acquired any land or properties during the period under review, but the Group will still continue to explore the investment opportunities in the property markets.

The recent political issues in Hong Kong and the trade conflicts between China and US will have an unpredictable impact on the economy and property market in Hong Kong. The Group will cautiously explore the money lending business in Hong Kong. The Group will reinforce our risk management policy and will proactive in adopting timely measures to balance its risk and return in the long run.

The Group will cautiously operate its property investment and development business and money lending business. The Group will continue to explore investment opportunities which will result in a steady growth in the Group's long term performance. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the recovery progress of the global economy, the progress of the political issues in Hong Kong and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of its business and has the confidence to strengthen its competitiveness and to build value for our shareholders.

Directors' Interests in Shares and Options

As at 30 September 2019, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

(A) Long Positions in Shares of the Company

Name of directors	Number of shares				Total	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Lee Lap	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	63.99%
Mr. Tommy Lee	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	63.99%

Note:

The 1,252,752,780 shares included under the other interest of Mr. Lee Lap and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are the spouse and certain children of Mr. Lee Lap (including Mr. Tommy Lee) and the offspring of such children.

(B) Long Positions in Shares of Other Associated Corporations

Name of director	Name of subsidiary	Number of non-voting deferred shares held <i>(Note)</i>		Total	% of total issued non-voting deferred shares
		Personal interest	Spouse interest		
Mr. Lee Lap	Applied Industrial Company Limited	1,000	1,500	2,500	100%
	Lee Plastics Manufacturing Company Limited	250,000	250,000	500,000	100%
	Magnetic Electronics Limited	5,000	–	5,000	100%
	Termbray Electronics Company Limited	7,000	3,000	10,000	100%

Note: All the above non-voting deferred shares are held by the director or his spouse personally as beneficial owner.

Saved as disclosed above, as at 30 September 2019, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

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

Substantial Shareholders

As at 30 September 2019, the person (other than the directors as disclosed in the “Directors’ interests in Shares and Options”) interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited <i>(Note 1)</i>	Beneficial owner	1,252,752,780	63.99%
Lee & Leung Family Investment Limited <i>(Note 1)</i>	Held by controlled corporation	1,252,752,780	63.99%
HSBC International Trustee Limited <i>(Note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	63.99%
Cosmo Telecommunication Inc. <i>(Note 2)</i>	Beneficial owner	151,202,960	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	7.72%
East Glory Trading Limited <i>(Note 3)</i>	Beneficial owner	103,397,540	5.28%
Master Winner Limited <i>(Note 3)</i>	Held by controlled corporation	103,397,540	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	5.28%

Notes:

- (1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are the spouse and certain children of Mr. Lee Lap (including Mr. Tommy Lee) and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.
- (3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 September 2019.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

Corporate Governance

The Company has met the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 September 2019 save as disclosed below.

Pursuant to code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called "The Termbray Industries International (Holdings) Limited Act 1991". Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation". The Company had amended its existing bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director, shall be subject to retirement by rotation at least once every three years, while directors holding the office of chairman or managing director shall be subject to re-election every 3 years.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months period ended 30 September 2019.

Audit Committee

The Company has established an audit committee currently comprising three independent non-executive directors of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2019.

By order of the Board

Lee Lap

Chairman

Hong Kong, 22 November 2019

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

TO THE BOARD OF DIRECTORS OF TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Termbay Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 42, which comprises the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, 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.

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 these condensed consolidated financial statements consists of making inquiries, 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 consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong, 22 November 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

		Six months ended	
	<i>Notes</i>	30.9.2019 HK\$'000 (unaudited)	30.9.2018 <i>HK\$'000</i> (unaudited)
REVENUE	3A		
– Sales of properties		4,264	16,654
– Rental income		1,911	2,178
– Interest income from money lending		2,282	123
TOTAL REVENUE		8,457	18,955
Cost of goods sold and services rendered		(2,297)	(5,830)
Gross profit		6,160	13,125
Other income	4	461	425
Other gains and losses	5	(17,144)	(19,714)
Administrative expenses		(9,749)	(9,253)
Loss before taxation		(20,272)	(15,417)
Taxation	6	(1,613)	(4,279)
LOSS FOR THE PERIOD	7	(21,885)	(19,696)
Other comprehensive (expense) income: <i>Item that will not be reclassified to profit or loss:</i>			
Loss on revaluation of leasehold land and buildings		(9,076)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		2,390	2,767
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		(6,686)	2,767
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(28,571)	(16,929)
		HK cents (unaudited)	<i>HK cents</i> (unaudited)
LOSS PER SHARE	9		
Basic		(1.12)	(1.01)
Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

At 30 September 2019

	Notes	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	397,168	409,278
Investment property	11	182,000	187,000
Loan receivables	12	56,952	22,892
Pledged bank deposits	14	2,000	2,000
Deferred tax assets		2,730	2,600
Right-of-use assets	2.1	901	–
		<u>641,751</u>	<u>623,770</u>
CURRENT ASSETS			
Completed properties for sale		55,365	60,523
Loan receivables	12	22,400	21,612
Deposits, prepayments and other receivables		1,963	2,190
Financial assets at fair value through profit or loss (“FVTPL”)		218	374
Bank balances and cash		219,132	262,015
		<u>299,078</u>	<u>346,714</u>
CURRENT LIABILITIES			
Other payables and accrued charges		3,023	4,357
Contract liabilities		769	1,650
Deposit received		480	488
Amount due to a related company	16(b)	2,258	2,099
Taxation payable		17,397	17,326
Lease liabilities	2.1	466	–
		<u>24,393</u>	<u>25,920</u>
NET CURRENT ASSETS		274,685	320,794
TOTAL ASSETS LESS CURRENT LIABILITIES		916,436	944,564
NON-CURRENT LIABILITIES			
Deferred tax liabilities		238	238
Lease liabilities	2.1	443	–
		<u>681</u>	<u>238</u>
NET ASSETS		915,755	944,326
CAPITAL AND RESERVES			
Share capital	13	156,611	156,611
Reserves		758,727	787,298
		<u>915,338</u>	<u>943,909</u>
Equity attributable to owners of the Company		915,338	943,909
Non-controlling interests		417	417
TOTAL EQUITY		915,755	944,326

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 September 2019

	Attributable to owners of the Company							
	Share capital	Share premium	Translation reserve	Property revaluation reserve	Retained profits/ losses (accumulated)	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018 (audited)	156,611	404,370	11,192	375,072	9,745	956,990	417	957,407
Loss for the period	-	-	-	-	(19,696)	(19,696)	-	(19,696)
Exchange differences arising on translation of foreign operations	-	-	2,767	-	-	2,767	-	2,767
Total comprehensive income (expense) for the period	-	-	2,767	-	(19,696)	(16,929)	-	(16,929)
At 30 September 2018 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>13,959</u>	<u>375,072</u>	<u>(9,951)</u>	<u>940,061</u>	<u>417</u>	<u>940,478</u>
At 1 April 2019 (audited)	156,611	404,370	12,280	380,783	(10,135)	943,909	417	944,326
Loss for the period	-	-	-	-	(21,885)	(21,885)	-	(21,885)
Exchange differences arising on translation of foreign operations	-	-	2,390	-	-	2,390	-	2,390
Loss on revaluation of leasehold land and buildings	-	-	-	(9,076)	-	(9,076)	-	(9,076)
Total comprehensive income (expense) for the period	-	-	2,390	(9,076)	(21,885)	(28,571)	-	(28,571)
At 30 September 2019 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>14,670</u>	<u>371,707</u>	<u>(32,020)</u>	<u>915,338</u>	<u>417</u>	<u>915,755</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended	
	30.9.2019	30.9.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Increase in loan receivables	(34,848)	(15,982)
Other cash (used in) from operating activities	(1,654)	9,694
NET CASH USED IN OPERATING ACTIVITIES	(36,502)	(6,288)
INVESTING ACTIVITIES		
Interest received	418	394
Net cash outflow from acquisition of assets through acquisition of subsidiary	–	(159)
Purchase of financial assets at FVTPL	–	(7)
NET CASH FROM INVESTING ACTIVITIES	418	228
FINANCING ACTIVITIES		
Repayment of lease liabilities	(227)	–
Interest paid	(19)	–
NET CASH USED IN FINANCING ACTIVITIES	(246)	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,330)	(6,060)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	262,015	302,325
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(6,553)	(9,249)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	219,132	287,016

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred as the "Group") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS" 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings, investment property and financial instruments that are measured at revalued amounts or fair values at the end of the reporting period.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of 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.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(a) As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises of that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straightline basis over the lease term.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

(a) As a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment property and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

(a) As a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

(a) As a lessee (continued)

Lease liabilities (continued)

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;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review which causes the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

(a) As a lessee (continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

(b) As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

(a) As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

(a) As a lessee (continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at the amounts equal to the related lease liabilities of approximately HK\$1,136,000 by applying HKFRS 16 C8(b)(ii) transition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

(a) As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.6% per annum.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	1,581
Lease liabilities discounted at relevant incremental borrowing rate	1,528
Less: Recognition exemption – short-term leases	(392)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	<u>1,136</u>
Analysed as	
Current	458
Non-current	678
	<u>1,136</u>

Right-of-use assets relating to operating leases in respect of office premises recognised upon application of HKFRS 16.

The directors of the Company consider that the impact for discounting such refundable rental deposits paid as at 1 April 2019 is not material.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

(b) As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustment is made as the amount involved is insignificant.

The directors of the Company consider that the impact for discounting such refundable rental deposits received as at 1 April 2019 is not material.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following table summarises the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not be included:

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	1,136	1,136
Current liabilities			
Lease liabilities	–	458	458
Non-current liabilities			
Lease liabilities	–	678	678

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

3A. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended	
	30.9.2019 <i>HK\$'000</i>	30.9.2018 <i>HK\$'000</i>
Sales of properties in the People's Republic of China ("PRC")	4,264	16,654
Rental income (under HKFRS 16/HKAS 17)	<u>1,911</u>	<u>2,178</u>
Property development and investment	6,175	18,832
Interest income from money lending business (under HKFRS 9)	<u>2,282</u>	<u>123</u>
	<u>8,457</u>	<u>18,955</u>
Timing of revenue recognition (for sale of properties) A point in time	<u>4,264</u>	<u>16,654</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

3B. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

The Group's operating and reportable segments are as follows:

- | | | |
|-------------------------------------|---|--|
| Property development and investment | – | Property development for sale of properties in the PRC and property investment for letting of properties in Hong Kong and the PRC. |
| Money lending | – | Provide mortgage loan financing to customers. |

The accounting policies of operating and reportable segments are the same as the Group's accounting policies. Segment results represent the (loss) profit before taxation earned by each segment without allocation of unallocated other income, unallocated other gains and losses and unallocated expenses. This is the measure reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

3B. SEGMENT INFORMATION (continued)

Services from which operating and reportable segments derive their revenues (continued)

For the six months ended 30 September 2019

	Property development and investment <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	6,175	2,282	8,457
RESULTS			
Segment (loss) profit	(10,405)	1,232	(9,173)
Unallocated other income			124
Unallocated other gains and losses			(3,011)
Unallocated expenses			(8,212)
Loss before taxation			(20,272)

For the six months ended 30 September 2018

	Property development and investment <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	18,832	123	18,955
RESULTS			
Segment loss	(2,572)	(165)	(2,737)
Unallocated other income			246
Unallocated other gains and losses			(4,292)
Unallocated expenses			(8,634)
Loss before taxation			(15,417)

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purpose, the Group has not included total asset information as part of segment information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

4. OTHER INCOME

	Six months ended	
	30.9.2019 <i>HK\$'000</i>	30.9.2018 <i>HK\$'000</i>
Interest income from bank balances	418	394
Sundry income	43	31
	<u>461</u>	<u>425</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.9.2019 <i>HK\$'000</i>	30.9.2018 <i>HK\$'000</i>
Net exchange losses	(11,988)	(19,576)
Fair value loss on financial assets at FVTPL	(156)	(138)
Fair value loss on investment property	(5,000)	-
	<u>(17,144)</u>	<u>(19,714)</u>

6. TAXATION

	Six months ended	
	30.9.2019 <i>HK\$'000</i>	30.9.2018 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	227	147
PRC Enterprise Income Tax	482	1,686
	<u>709</u>	<u>1,833</u>
PRC Land Appreciation Tax	1,204	3,025
Deferred tax	(300)	(579)
	<u>1,613</u>	<u>4,279</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

7. LOSS FOR THE PERIOD

	Six months ended	
	30.9.2019	30.9.2018
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting) the following terms:		
Cost of inventories recognised as expense	1,182	4,618
Depreciation of property, plant and equipment	2,966	2,906
Depreciation of right-of-use assets	235	–
Gross rental income from investing property	978	978
Less: direct operating expense incurred for investment property that generated rental income during the period	(69)	(73)
Loss on disposal of property, plant and equipment	68	–

8. DIVIDEND

No dividend was paid in respect of the six months ended 30 September 2019 (30.9.2018: Nil).

9. LOSS PER SHARE

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

	Six months ended	
	30.9.2019	30.9.2018
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	(21,885)	(19,696)
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic loss per share	1,957,643	1,957,643

No diluted loss per share was presented for both interim periods as there was no potential ordinary share in issue.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

10. PROPERTY, PLANT AND EQUIPMENT

The Group has accounted for leasehold land and buildings using the revaluation model. The leasehold land and buildings were revalued on 30 September 2019 and 31 March 2019.

In determining the fair value of relevant properties, it is the Group's policy to engage an independent qualified professional valuer to perform the valuations. The management works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

The Group's leasehold land and buildings were valued on 30 September 2019 and 31 March 2019 by Vigers Appraisal & Consulting Ltd ("Vigers"), an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

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

The fair value of the leasehold land and buildings was determined based on the direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table gives information about how the fair values of these leasehold land and buildings are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Leasehold land and buildings held by the Group in the condensed consolidated statement of financial position

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Residential	Level 3	Direct comparison method		
		The key input is		
		(1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, ranging from HK\$27,200 to HK\$110,300 (31.3.2019: from HK\$28,100 to HK\$113,700) per square feet on saleable floor area basis for properties.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the leasehold land and buildings by the same percentage increase, and vice versa.

The fair value of the leasehold land and buildings at 30 September 2019 and 31 March 2019 were measured using valuation techniques with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. There were no transfer into or out of level 3 during both years.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

10. PROPERTY, PLANT AND EQUIPMENT (continued)

During the six months ended 30 September 2019, the resulting deficit arising on revaluation of HK\$9,076,000 has been debited (for the six months ended 30 September 2018: no change in the fair value,) to property revaluation reserve. There is no restriction on the distribution of the property revaluation reserve to the shareholders.

If the leasehold land and buildings had not been revalued, they would have been included in these condensed consolidated financial statements at historical cost less accumulated depreciation of HK\$37,750,000 (31.3.2019: HK\$38,007,000).

11. INVESTMENT PROPERTY

The Group's property interest held under operating leases to earn rentals is measured using the fair value model and is classified and accounted for as investment property.

In determining the fair value of investment property, it is the Group's policy to engage an independent qualified professional valuer to perform the valuations. The management works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

The Group's investment property was valued on 30 September 2019 and 31 March 2019 by Vigers, an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

In estimating the fair value of the property, the highest and best use of the property is its current use.

The fair value of the investment property was determined based on direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

Fair value loss of HK\$5,000,000 on investment property was recognised during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

11. INVESTMENT PROPERTY (continued)

The following table give information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group in the condensed

consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Residential	Level 3	Direct comparison method		
		The key input is		
		(1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of HK\$56,900 (31 March 2019: HK\$58,400) per square feet on saleable floor area basis for the property.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

The fair value of the investment property at 30 September 2019 and 31 March 2019 was measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

12. LOAN RECEIVABLES

	30.9.2019 <i>HK\$'000</i> (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Secured loan receivables	79,352	44,504
Less: Amount due within one year and classified under current assets	<u>(22,400)</u>	<u>(21,612)</u>
Amount due after one year	<u>56,952</u>	<u>22,892</u>

The contractual maturity dates of the Group's fixed-rate loan receivables net of allowance of credit loss are as follows:

	30.9.2019 <i>HK\$'000</i>	31.3.2019 <i>HK\$'000</i>
Fixed-rate loan receivables:		
Within one year	22,400	21,612
One to two years	1,520	663
Two to five years	5,387	2,342
Over five years	<u>50,045</u>	<u>19,887</u>
Total	<u>79,352</u>	<u>44,504</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

12. LOAN RECEIVABLES (continued)

The Group holds collateral of some property interests located in Hong Kong over secured loan receivables of HK\$79,352,000 (31.3.2019: HK\$44,504,000). The directors of the Company consider the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (i.e. property interests) is higher than the outstanding amount of the loan receivables at the end of the reporting period.

Secured loan receivables carry a fixed-rate interests ranged from 7.5% to 10% (31.3.2019: 7.5% to 9%) per annum and with maturity ranging from less than 1 year to 30 years (31.3.2019: 1 year to 25 years). All amounts of principal are expected to be received on respective maturity dates.

13. SHARE CAPITAL

	30.9.2019 & 31.3.2019	
	Number of shares	Nominal value
	'000	HK\$'000
Ordinary shares of HK\$0.08 each		
Authorised	2,800,000	224,000
Issued and fully paid	1,957,643	156,611

There is no movement in share capital during the period/year ended 30 September 2019 and 31 March 2019.

14. PLEDGE OF ASSETS

At 30 September 2019, bank deposits of HK\$2,000,000 (31.3.2019: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value Hierarchy	30.9.2019 HK\$' 000 (unaudited)	31.3.2019 HK\$' 000 (audited)
<i>Financial assets at FVTPL</i>			
Equity securities listed in Hog Kong (<i>Note</i>)	Level 1	<u>218</u>	<u>374</u>

Note: The fair value of listed equity securities is determined with reference to quoted market bid prices from the stock exchange.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

16. RELATED PARTY TRANSACTIONS

During the current interim period, the Group had the following transactions with related parties:

- (a) Pursuant to the tenancy agreement entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises and warehouses from Panda Investment during the period at the agreed rental of HK\$243,000 (six months ended 30.9.2018: HK\$243,000) during the current interim period. Panda Investment is a wholly owned subsidiary of Lee & Leung Family Investment Limited, the ultimate parent of the Company.
- (b) At 30 September 2019, the Group had an amount of approximately HK\$2,258,000 (31.3.2019: HK\$2,099,000) due to Panda Investment, which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of certain directors of the Company, and the Group, the Group leased its land and building to Mr. Lee Wing Keung for a period of 3 years from 16 March 2017 to 15 March 2020 at the monthly rental of HK\$163,000 (exclusive of rates, management fee and utility charges). The rental income recognised during the current interim period is HK\$978,000 (six months ended 30.9.2018: HK\$978,000).
- (d) The compensation of key management personnel paid or payable by the Group in respect of the current interim period, substantially all of which comprised of short term benefits attributable to the directors of the Company, amounted to HK\$4,317,665 (six months ended 30.9.2018: HK\$4,663,500).

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.