



China Communication Telecom Services Company Limited  
**神通電信服務有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 8206)

**2013/14**  
ANNUAL REPORT

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

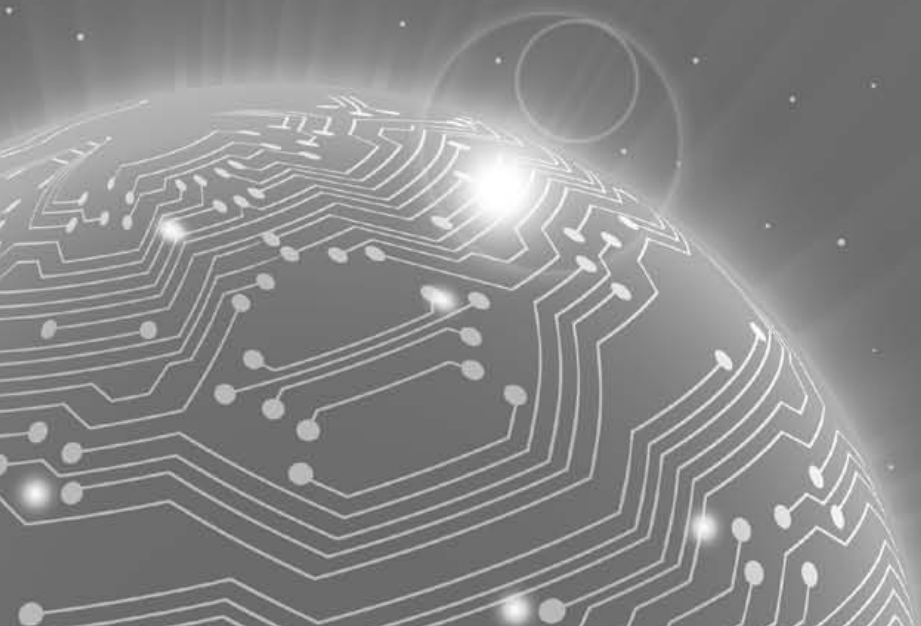
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*This report, for which the directors (the “Directors”) of China Communication Telecom Services Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. He Chenguang (*Chairman*)

Mr. Bao Yueqing (*Chief Executive Officer*)

### Independent Non-Executive Directors

Mr. Yip Tai Him

Ms. Han Liqun

Ms. Zhang Li

## COMPANY SECRETARY

Ms. Hung Yee Ling, *CPA, FCCA*

## COMPLIANCE OFFICER

Mr. Bao Yueqing

## AUDIT COMMITTEE

Mr. Yip Tai Him (*Chairman*)

Ms. Han Liqun

Ms. Zhang Li

## REMUNERATION COMMITTEE

Mr. Yip Tai Him (*Chairman*)

Ms. Han Liqun

Ms. Zhang Li

## NOMINATION COMMITTEE

Mr. He Chenguang (*Chairman*)

Mr. Yip Tai Him

Ms. Han Liqun

Ms. Zhang Li

## AUTHORISED REPRESENTATIVES

Mr. Bao Yueqing

Ms. Hung Yee Ling, *CPA, FCCA*

## AUDITORS

RSM Nelson Wheeler

29th Floor Caroline Centre

Lee Gardens Two

28 Yun Ping Road

Hong Kong

## REGISTERED OFFICE

P.O. Box 309GT

Ugland House

South Church Street

Grand Cayman

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2115–2116 21/F

China Merchants Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Rooms 1712–1716

17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

## PRINCIPAL BANKERS

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

## WEBSITE ADDRESS

[www.ccpi.com.hk](http://www.ccpi.com.hk)

## GEM STOCK CODE

8206

# Financial Highlights

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years.

## CONSOLIDATED RESULTS

	Year ended 31 March				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover					
Continuing operations	<b>38,865</b>	34,495	33,102	30,373	–
Discontinued operation	–	–	–	299	14,276
	<b>38,865</b>	34,495	33,102	30,672	14,276
(Loss)/profit before taxation	<b>(6,723)</b>	(13,524)	162,332	(245,400)	(237,512)
Taxation	<b>(2,390)</b>	(746)	1,454	50,483	6,025
(Loss)/profit attributable to owners	<b>(9,113)</b>	(14,270)	163,794	(194,505)	(218,977)
Basic (loss)/earnings per share (HK cents)	<b>(0.70)</b>	(1.19)	13.71	(16.28)	(27.26)

## CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Total assets	<b>69,344</b>	75,549	60,831	91,942	309,335
Total liabilities	<b>(113,406)</b>	(110,888)	(113,945)	(300,635)	(341,204)
Net liabilities	<b>(44,062)</b>	(35,339)	(53,114)	(208,693)	(31,869)
Net liabilities per share (HK cents)	<b>(3.40)</b>	(2.73)	(4.45)	(17.47)	(2.67)

# Chairman's Statement

On behalf of the board of the Directors (the "Board"), I am pleased to present the audited consolidated results of China Communication Telecom Services Company Limited (the "Company", together with its subsidiary companies, collectively the "Group") for the year ended 31 March 2014.

## FINANCIAL PERFORMANCE

The Group recorded consolidated total turnover of approximately HK\$38,865,000 for the year ended 31 March 2014, representing an increase of approximately 12.7% as compared to approximately HK\$34,495,000 for the year ended 31 March 2013. The turnover for the year ended 31 March 2014 was attributable to the provision of promotion and management services for an electronic smart card "Shentong Card" in the People's Republic of China (the "PRC").

The Group made a net loss attributable to owners of the Company of approximately HK\$9,113,000 for the year ended 31 March 2014 as compared to approximately HK\$14,270,000 for the year ended 31 March 2013. The decrease was mainly attributable to the increase in turnover of Shentong Card and the decrease in amortisation of intangible assets charged for the year.

## BUSINESS REVIEW

Starting from 2010, the Group made continuous efforts to restructure and streamline the business operations so as to improve the overall financial status of the Group, such as the acquisition of 100% of the equity interest in 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited<sup>#</sup>) ("Yijia") and the disposal of 75% of the equity interest in 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.<sup>#</sup>). Since then, the Group concentrates on the business in promotion and management services for Shentong Card in the PRC.

The total online payment market in the PRC has been maintaining at a rapid growth in recent years. Besides, according to China Internet Network Information Center, online payment customers in the PRC have reached approximately 260 million in December 2013, with an increase of approximately 17.9% compared to that at December 2012. The utilization rate has also increased from 39.1% to 42.1%. The Group considered that Shentong Card enabled the Group to expose to the fast growing online payment gateway services business in the PRC.

This business has developed favorably for the year ended 31 March 2014. The consolidated turnover from promotion and management services for Shentong Card has reached an increase of approximately 12.7% as compared with the year ended 31 March 2013.

Apart from concentrating on the business in promotion and management services for Shentong Card, the Directors will continue to do their best to deploy their strengths and capabilities to expand the revenue base of the Group and capture the new opportunities offered by the prosperity of the PRC market.

### Provision of promotion and management services

For the year ended 31 March 2014, the revenue derived from the provision of promotion and management services was approximately HK\$38,865,000 as compared to approximately HK\$34,495,000 for the year ended 31 March 2013.

<sup>#</sup> English translation of the name for identification purpose only

# Chairman's Statement

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to our shareholders of their tremendous support and to my fellow Directors, our management and staff of their dedication and contribution in the past year.

**He Chenguang**

*Chairman*

Hong Kong, 18 June 2014

# Management Discussion and Analysis

## REVENUE AND PROFITABILITY

The Group recorded a turnover of approximately HK\$38,865,000 (2013: approximately HK\$34,495,000) for the year ended 31 March 2014, representing an increase of approximately 12.7% as compared to 2012/13. All of the turnover for the two years ended 31 March 2014 and 2013 were attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” in the PRC.

The Group’s gross profit for the year ended 31 March 2014 amounted to approximately HK\$26,850,000 as compared to approximately HK\$20,208,000 for the year ended 31 March 2013. The increase was mainly attributable to the increase in turnover of Shentong Card and the decrease in amortisation of intangible assets charged for the year.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2014 was approximately HK\$32,024,000 as compared to approximately HK\$31,959,000 for the year ended 31 March 2013.

## NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group made a net loss attributable to owners of approximately HK\$9,113,000 for the year ended 31 March 2014 as compared to approximately HK\$14,270,000 for the year ended 31 March 2013. The decrease was mainly attributable to the increase in turnover of Shentong Card and the decrease in amortisation of intangible assets charged for the year.

## LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Company had no fund raising activities.

As at 31 March 2014, the Group had outstanding promissory note at a nominal value of approximately HK\$94.4 million (as at 31 March 2013: approximately HK\$94.4 million) with carrying value of approximately HK\$98.2 million (as at 31 March 2013: approximately HK\$96.3 million). The promissory note was originally unsecured, bearing an interest at the rate of 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, China Communication Investment Limited (“CCI”) agreed to vary the terms of promissory note, such that the maturity date was changed to 10 August 2010 (“New Maturity Date”). In addition, before the New Maturity Date, the Group has the right to further postpone (“Maturity Postponement Right”) the maturity date to 30 June 2012 (“Extended Maturity Date”) if the latest published financial information of the Group indicating that the repayment of such principal and accrued interests would cause the net current assets of the Group to fall below HK\$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2014 (as at 31 March 2013: HK\$Nil).

As at 31 March 2014, the Group had net current assets of approximately HK\$48.9 million (as at 31 March 2013: approximately HK\$53.6 million). The Group’s current assets consisted of cash and cash equivalents of approximately HK\$51.7 million (as at 31 March 2013: approximately HK\$59.2 million), prepayments, deposits and other receivables of approximately HK\$11.2 million (as at 31 March 2013: approximately HK\$7.0 million). The Group’s current liabilities include accruals and other payables of approximately HK\$2.0 million (as at 31 March 2013: approximately HK\$1.7 million), current tax liabilities of approximately HK\$12.0 million (as at 31 March 2013: approximately HK\$10.9 million).

At present, the Group generally finances its operations and investment activities with internal resources.

## GEARING RATIO

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.64 as at 31 March 2014 as compared to 1.47 as at 31 March 2013.

## CAPITAL STRUCTURE

There was no change in the capital structure during the year ended 31 March 2014.



# Management Discussion and Analysis

## **CHARGE ON ASSETS**

The Group did not have any charge on its assets as at 31 March 2014 and 31 March 2013.

## **EMPLOYEES, REMUNERATION POLICIES AND STAFF COSTS**

As at 31 March 2014, the Group had 85 employees (2013: 66). The staff costs for the year ended 31 March 2014 was approximately HK\$10.0 million (2013: approximately HK\$9.9 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

## **MATERIAL INVESTMENT OR CAPITAL ASSETS**

For the year ended 31 March 2014, the Group had no significant investment. As at 31 March 2014, the Group has no plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There was no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2014.

## **FOREIGN CURRENCY RISK**

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2014 and 31 March 2013.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. He Chenguang**, aged 53, joined the Group and was elected as the Chairman of the Group in April 2006. He is responsible for formulating the Group's strategy of overall business development. Mr. He holds a professional qualification in business administration and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC. Currently, he is the chairman of the board of directors of the Company's substantial shareholder, 神州通信集團有限公司 (China Communication Group Co., Ltd.)\* ("CCC"), a nationwide telecom operator and internet network operator in the PRC.

Mr. He is the chairman of Professional Energy Committee of The Chinese People's Association for Friendship with Foreign Countries, the vice president of China-Cuba Friendship Association (a friendship association with foreign countries and a national people's organisation of the PRC which was founded in 1962). Mr. He is a part-time professor in Harbin Engineering University and University of Science and Technology Beijing. In 2011, Mr. He has also been awarded "Peaceful Development Contribution Award" jointly issued by the Chinese People's Association for Friendship with Foreign Countries and China Friendship Foundation for Peace and Development.

**Mr. Bao Yueqing**, aged 44, joined the Group in April 2010 as an executive Director until 30 June 2011 and subsequently as a general manager of the Company in May 2012 and appointed as an executive Director in January 2014. He is responsible for the daily operation of the Group and forming and implementation of Company's business strategies. Mr. Bao holds a Bachelor degree of Economics Management from Heilongjiang University and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yip Tai Him**, aged 43, was appointed as an independent non-executive Director since October 2002. Mr. Yip is a practising accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has over 20 years of experience in accounting, auditing and financial management. He was previously an independent non-executive director of Yunbo Digital Synergy Group Limited (a company listed on GEM), and Wing Lee Holdings Limited (a company listed on the Stock Exchange), for the period from 7 May 2011 to 17 February 2012 and the period from 28 February 2001 to 19 June 2014 respectively. He is currently an independently non-executive director of GCL-Poly Energy Holdings Limited, iOne Holdings Limited and Redco Properties Group Limited (all of which are listed on the Stock Exchange) and China Media and Films Holdings Limited, Vinco Financial Group Limited and Larry Jewelry International Company Limited (all of which are listed on GEM).

**Ms. Han Liquan**, aged 60, was appointed as an independent non-executive Director in January 2014. Ms. Han holds a Bachelor degree of Instrumentation and Automation from Taiyuan University of Technology, a Master degree from the Institute of Computing Technology of the Chinese Academy of Sciences and a Doctorate degree of Pattern Recognition and Intelligent Systems from Beijing Institute of Technology. Ms. Han was a visiting research fellow at City University London.

Ms. Han has long been participated in the research in aspects such as artificial neural network theory and applications, pattern recognition and intelligent information processing as well as intelligent control and detection. She completed various significant scientific and technological research projects with outstanding results on pattern recognition and intelligent detection and control issues in light industry, chemical, agricultural, transportation and aerospace industries. Ms. Han also published 136 thesis and 11 books, some of which were included by various international literature institutions. Furthermore, she chaired and participated in over 20 scientific research projects, obtained 4 national invention patents and received a second prize from the first Wu Wenjun Artificial Intelligence Science Technology Awards.

Ms. Han, Beijing Outstanding Teacher, has engaged in education for more than 25 years and taught 15 courses. She has taught in Beijing Light Industry School under the Ministry of Light Industry of the PRC and Beijing Technology and Business University as the Dean, illustrating her outstanding teaching and research achievements. She chaired over 20 education reforms in the Ministry of Education of the PRC, Ministry of Light Industry, Beijing Municipal Commission of Education, etc. By virtue of her teaching results, she received a grand prize and a first prize from the Institutional Outstanding Teaching Achievement Awards and a second prize from the Beijing Teaching Achievement Awards.

\* English translation of the name for identification purpose only

# Biographical Details of Directors and Senior Management

Ms. Han is currently the executive vice president of Chinese Association for Artificial Intelligence, the chairman of the Working Committee of Intelligence Products and Industry, the chairman of the Expert Committee of the Working Committee of the China Robotic Sports, the vice president of the Simulation Application Society of China Computer Users Association, the vice chairman of the Expert Committee of Life System Modeling and Simulation of China Institute of System Simulation, the member of the Expert Advisory Committee of the Chinese Association of Automation, the Deputy Director of the Editorial Board of "Computer Simulation" and the Associate Editor-in-Chief of "CAAI Transactions on Intelligent Systems" .

**Ms. Zhang Li**, aged 54, was appointed as an independent non-executive Director in March 2014. Ms. Zhang holds a Bachelor of Engineering in Solid Mechanics from the Department of Mathematics and Mechanics of Henan University of Science and Technology, China, a Master of Engineering in Mechanical Design from the Department of Mechanical Design of Henan University of Science and Technology, China, and a Doctor of Engineering in Composite Materials from the School of Material Engineering of Wuhan University of Technology, China. Ms. Zhang is currently a professor at the School of Material and Mechanical Engineering of Beijing Technology and Business University, China, instructing the graduates and doctoral students. She was also the dean of the School of Mechanical Automation, the dean of the School of Mechanical Engineering and the deputy director of the Office of Evaluation and Construction for Undergraduate Assessment of Beijing Technology and Business University. Since 2007, Ms. Zhang has been to Canada, Singapore, the United States, the United Kingdom, Australia and other countries for academic exchanges and visits.

Ms. Zhang's expertise is in the study of mechanical automation and composite materials. Ms. Zhang has outstanding achievements in education and scientific research. Ms. Zhang focuses on the study of mechanical design and mechanics of composite materials, and engages in the design, manufacture and application of advanced composite material components as well as computer-aided engineering. She has chaired or participated in over 30 projects, such as "Research of Thermal Dynamic Performance of Composite Engines" by National Natural Science Foundation of China, National Science and Technology Support Program, the science and technology development project of "Research of Dynamic Performance of Composite Flywheels" by Beijing Municipal Commission of Education, talent training funded projects in Beijing and enterprise service projects. Ms. Zhang has published over 100 academic papers, some of which were included by various international literature institutions. She published 16 books, translations and textbooks and 1 Beijing quality textbook.

Ms. Zhang, an Outstanding Teacher, has engaged in education for more than 32 years. She was awarded the title of National Excellent Teacher, Top Creative Talent in Beijing Universities and the award of Top Teacher in Beijing Universities. She has also been merited as the Backbone Teacher of Mechanical Engineering across the century. Ms. Zhang served as the leader of Beijing Academic Innovation Team and won the First Class Award for School Education and Teaching Achievement. She was responsible for the completion of the Country's "10th five-year" key planning issues for tertiary education "Research on the education reform of new international division for electrical and mechanical engineering" and the Beijing education reform project "Improvement, reform and discussion on the education system, methodology and contents of engineering mechanics". She was also funded by the Beijing inter-organisational talent project.

## SENIOR MANAGEMENT

**Ms. Hung Yee Ling**, aged 35, joined the Group in August 2011, is the financial controller and company secretary of the Group. She is responsible for financial planning and reporting and general administration of the Group. Ms. Hung holds a Bachelor Degree of Accountancy from the Hong Kong Polytechnic University. Ms. Hung is a member of the Hong Kong Institute of Certified Public Accountants and also a fellow member of the Association of Chartered Certified Public Accountants. Prior to joining to the Group, she worked in a multinational accounting firm and has over 9 years' experience in auditing.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company acknowledges that good and effective corporate governance could make an important contribution to corporate success and enhance values to the Group and our shareholders. Therefore, the Board is committed to maintain and ensure the standards of corporate governance within the Group and to ensure that the business activities and decision making processes are regulated in a proper and responsible manner. The Group has adopted the practices and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2014.

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code. The key principles and practices of the Company are summarized below.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. During the year ended 31 March 2014, all Directors have participated in continuous professional development programmes such as attending external conferences, seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. The Company is of the view that all Directors has complied with the code provisions A.6.5. A record of the training received by the respective Directors are kept and updated by the company secretary of the Company.

## DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2014. The Company also had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises five Directors in which two are executive Directors and three are Independent non-executive Directors. During the year ended 31 March 2014 and up to the date of this report, the Board comprises the following Directors:

### Executive Directors:

Mr. He Chenguang, *Chairman of the Board*

Mr. Bao Yueqing, *Chief Executive Officer*

Mr. Zhang Peng, *Chief Executive Officer*

Appointed on 31 January 2014

Resigned on 31 January 2014

### Non-Executive Directors:

Dr. Lam Lee G.

Mr. Xiao Haiping

Resigned on 5 March 2014

Resigned on 15 April 2014

### Independent Non-Executive Directors:

Mr. Yip Tai Him

Ms. Han Liqun

Ms. Zhang Li

Ms. Cao Huifang

Ms. Liu Hong

Appointed on 31 January 2014

Appointed on 20 March 2014

Resigned on 31 May 2014

Resigned on 31 January 2014

The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on pages 8 and 9 of this report.

# Corporate Governance Report

The number of the Board meetings and the other committees' meetings held for the year ended 31 March 2014 and the attendance of each Director are as follows:

	Numbers of the meetings attended/held			
	Board	Nomination Committee	Audit Committee	Remuneration Committee
<b>Executive Directors</b>				
Mr. He Chenguang	10/10	2/2	N/A	N/A
Mr. Bao Yueqing (Appointed on 31 January 2014)	4/4	N/A	N/A	N/A
Mr. Zhang Peng (Resigned on 31 January 2014)	6/6	N/A	N/A	N/A
<b>Non-executive Directors</b>				
Dr. Lam Lee G. (Resigned on 5 March 2014)	4/8	N/A	N/A	N/A
Mr. Xiao Haiping (Resigned on 15 April 2014)	10/10	N/A	N/A	N/A
<b>Independent non-executive Directors</b>				
Mr. Yip Tai Him	10/10	2/2	5/5	3/3
Ms. Han Liqun (Appointed on 31 January 2014)	4/4	1/1	1/1	1/1
Ms. Zhang Li (Appointed on 20 March 2014)	1/1	0/0	0/0	0/0
Ms. Cao Huifang (Resigned on 31 May 2014)	10/10	2/2	5/5	3/3
Ms. Liu Hong (Resigned on 31 January 2014)	6/6	1/1	4/4	2/2

During the year, a total of one general meeting of the Company was held and the attendance records are as follows:

## Executive Directors

Mr. He Chenguang	1/1
Mr. Bao Yueqing (Appointed on 31 January 2014)	N/A
Mr. Zhang Peng (Resigned on 31 January 2014)	1/1

## Non-executive Directors

Dr. Lam Lee G. (Resigned on 5 March 2014)	0/1
Mr. Xiao Haiping (Resigned on 15 April 2014)	0/1

## Independent non-executive Directors

Mr. Yip Tai Him	1/1
Ms. Han Liqun (Appointed on 31 January 2014)	N/A
Ms. Zhang Li (Appointed on 20 March 2014)	N/A
Ms. Cao Huifang (Resigned on 31 May 2014)	0/1
Ms. Liu Hong (Resigned on 31 January 2014)	0/1

The Board is accountable to the shareholders and lead the Group in an ethical, responsible and effective manner. The Board sets the overall strategic directions of the Group, establishes effective management and monitors its performance. The Board is required to meet at least four times a year in addition to the meetings to approve the financial results. Notice of at least 14 days is given for a regular Board meeting and reasonable notice is generally given to all Directors for other Board meetings. Apart from these regular meeting, Board meetings are also held to approve major issues and notice of each regular meeting is given to all Directors. All relevant materials, including draft minutes were sent to all Directors relating to the matters brought before the meeting to ensure that the Directors are given sufficient time to review the same. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings. Matters requiring the Board's unanimous decision include material acquisitions or disposals of assets, significant investments, capital projects, annual budgets, and key issues relating to human resources and administration matters.

# Corporate Governance Report

According to the practice of the Board, any material transaction, which involves a conflict of interest for a substantial shareholder (as defined in the GEM Listing Rules) or a Director, will be considered and dealt with the Board at a Board meeting. The articles of association (the "Articles") contain certain provision requiring such Directors to abstain from voting and not to be counted in the quorum at such meetings for approving transactions in which such Directors or any of their respective associates have a material interests.

Daily operations and administration are delegated to the senior management team. All the said minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the Articles of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. All Directors appointed to fill a causal vacancy or as an addition to the Board shall be subject to election by the Shareholders at the first general meeting after their appointment.

Directors' training is an ongoing process. During the year, Directors regular updates on changes and developments of the Group's business and to the regulatory environments in which the Company operates. All Directors are also encouraged to attend relevant training courses at the Company's expense.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role and responsibilities of the Chairman is separate from that of the Chief Executive Officer. The position of the Chairman and Chief Executive Officer is held by Mr. He Chenguang and Mr. Bao Yueqing respectively. The Chairman is responsible for leading the Board in forming the Group's strategies and policies and for organising the business of the Board. The Chief Executive Officer is responsible for the daily operations of the Group and was accountable to the Board for the Group's financial and operational performance.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

In compliance with Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board currently comprises three independent non-executive Directors representing two-third of the Board. The independent non-executive Directors are appointed for a specific term. Mr. Yip Tai Him has been appointed for a term of three years while Ms. Han Liqun and Ms. Zhang Li have been appointed for a term of one year and they are subject to retirement by rotation in accordance with the Articles.

The Company has received the annual independence confirmation from each of Mr. Yip Tai Him, Ms. Han Liqun, Ms. Zhang Li, Ms. Cao Huifang and Ms. Liu Hong (all being independent non-executive Directors) pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all of them satisfied the independence criteria. Amongst three existing independent non-executive Directors, Mr. Yip Tai Him has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 5.05(2) of the GEM Listing Rules.

To assist the execution of its responsibilities, three Board committees, namely Audit Committee, Remuneration Committee and Nomination Committee, have been established by the Board. These committees well function within the clearly defined terms of reference. All independent non-executive Directors play a significant role in these committees to ensure the independence and objectivity.

# Corporate Governance Report

## REMUNERATION COMMITTEE

At the Board meeting held on 1 April 2005, a Remuneration Committee has been established. The Remuneration Committee consists of three members, all of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Yip Tai Him and meets at least once a year.

The roles and functions of the Remuneration Committee are to review and recommend the remuneration packages of the Directors and the senior management of the Group, oversee and review the administration of the Share Option Scheme and to review the appropriateness of compensation for Directors and the senior management of the Group. No Directors is involved in determining his/her own remuneration.

The Remuneration Committee takes into consideration the market condition, comparable companies, past performance and the experience and knowledge possessed when determining remuneration packages of the Directors. The remuneration package for executive Directors comprises a basic salary and a discretionary bonus for their contributions in accordance with code provisions B.1.2(c)(ii). All revision to remuneration packages of the Directors are subject to the review and approval of the Board.

## NOMINATION OF DIRECTORS

At the Board meeting held on 30 April 2012, a Nomination Committee has been established. The Nomination Committee consists of four members, of which the present Nomination Committee consists of a majority of independent non-executive Directors. The Nomination Committee is chaired by Mr. He Chenguang. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

All Directors are subject to election by shareholders of the Company at the annual general meeting. The new Directors are notified on the role of the Board and Board Committee, their duties and obligation as a director of a listed company.

Mr. He Chenguang, Mr. Bao Yueqing, Ms. Han Liqun and Ms. Zhang Li will retire at the forthcoming annual general meeting and the re-election of Mr. He Chenguang and Mr. Bao Yueqing as Executive Directors and Ms. Han Liqun and Ms. Zhang Li as independent non-executive Directors are to be proposed at the forthcoming annual general meeting.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the code provisions and disclosure in the Corporate Governance Report; and
- such other corporate governance and functions set out in the code provisions (as amended from time to time) for which the Board are responsible.

# Corporate Governance Report

## AUDITOR'S REMUNERATION

The Company has appointed RSM Nelson Wheeler as the auditor of the Group (the "Auditor") since April 2011. The Audit Committee is responsible for considering the appointment of the external auditor, including whether such non-audit engagements could affect their independence. The Board is authorised in the annual general meeting to determine the remuneration of the Auditor. For the year ended 31 March 2014, the Auditor's remuneration in connection with the provision of audit and non-audit services paid by the Group were as follows:

	For the year ended 31 March	
	2014	2013
	HK\$	HK\$
Statutory audit services	525,000	525,000
Non-audit services	487,000	513,000
	<b>1,012,000</b>	1,038,000

## AUDIT COMMITTEE

The written terms of reference, which describe the authorities and duties of the Audit Committee, were implemented in accordance with the GEM Listing Rules. The Audit Committee comprises three members, all of whom are independent non-executive Directors and is chaired by Mr. Yip Tai Him.

The Audit Committee meets at least four times each year. The main duties of the Audit Committee are summarised as follows:

- Discuss the work with the external auditors of the Company;
- Meet with external auditors of the Company, when they consider necessary;
- Review the quarterly, interim and annual financial statements and the report of the independent auditors on the Company's annual consolidated financial statements before these are presented to the Board;
- Ensure the quarterly, interim and annual consolidated financial statements are properly prepared;
- Review the independence of the external auditors annually;
- Ensure that cooperation is provided by management to the external auditors; and
- Review the adequacy and effectiveness of the Group's internal control system.

The Audit Committee is empowered to conduct investigations on any matters within the scope of responsibilities of the Audit Committee. The Audit Committee is authorised to obtain independent professional advices if it deems necessary to discharge its responsibilities.

For the year ended 31 March 2014, the Audit Committee held five meetings in which the members of the Audit Committee reviewed and concluded with satisfaction in relation to the internal control system of the Group and the following reports:

- Annual report for the year ended 31 March 2013;
- Quarterly reports for the first quarter and third quarter of 2013/14;
- Interim report for the first six months of 2013/14; and
- Review of continuing connected transactions with the Group.



# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. The Group incurred a loss attributable to owners of the Company of approximately HK\$9,113,000 and has net operating cash outflow of approximately HK\$7,234,000 for the year ended 31 March 2014, and as at 31 March 2014 the Group had a capital deficiency of approximately HK\$44,062,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, the Directors had adopted the going concern basis in the preparation of the financial statements of the Group based on the followings:

- (a) On 31 March 2014, the Group agreed with CCI, a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2015.
- (b) The Directors have obtained the confirmation from CCC, the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligations as they fall due, both present and future.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group. The Directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The responsibilities of the external auditor with respect to their financial reporting are set out in the Independent Auditor's Report on pages 27 to 28 of this report.

## INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has formulated the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board had conducted annual review on the internal control system of the Group and its effectiveness and is of the view that the Group's internal control system is effective to achieve the Group's internal control objectives and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and executive management.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

# Corporate Governance Report

## COMPANY SECRETARY

Ms. Hung Yee Ling has been the company secretary of the Company since 2011. Ms. Hung has confirmed that she has taken no less than 15 hours of relevant professional training during the year ended 31 March 2014. The Company is of the view that Ms. Hung has complied with Rule 5.15 of the GEM Listing Rules.

## SHAREHOLDERS' RIGHTS

### Right to put forward proposals and to convene a general meeting

In accordance with the Company's Article 69, two or more Shareholders holding at the date of deposit of the requisition of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right by written requisition to the Company, to require a general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within twenty-one (21) days from the date of deposit of such requisition proceed duly to convene the meeting to be held within a further twenty-one (21) days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of the deposit of such requisitions, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

### Right to put enquiries to the Board

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong, for the attention of the Board.

## INVESTOR RELATIONS

The annual general meeting provides an opportunity for Shareholders to exchange views with the Board. The Chairman of the Board had attended the annual general meeting for Year 2013 held on 7 August 2013 to answer questions from Shareholders. The Company's website (<http://www.ccpi.com.hk>) offer a communication channel between the Company and the Shareholders and potential investors.

## CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

# Directors' Report

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Group and Company for the year ended 31 March 2014.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiary companies are set out in note 25 to the financial statements.

## SEGMENT INFORMATION

An analysis of the Group's turnover and contributions to results by principal activities for the year is set out in note 9 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss on page 29 of this report.

The state of affairs of the Group and the Company at 31 March 2014 are set out in the consolidated statement of financial position and statement of financial position on pages 31 and 32 of this report and note 31 to the financial statements respectively.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2014 (2013: HK\$Nil).

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 and note 24(b) to the financial statements respectively.

## FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in note 17 to the financial statements.

## SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 23 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31 March 2014, the Company's had no distributable reserves (2013: HK\$Nil).

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

## FINANCIAL INFORMATION SUMMARY

A summary of the consolidated results and the consolidated assets and liabilities of the Group for the last five financial years is set out on page 3.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the year ended 31 March 2014.

# Directors' Report

## SHARE OPTION SCHEMES

Prior to the listing of the Company's shares on the GEM, the Board was authorized to grant options to certain Directors, an ex-consultant, an ex-management shareholder and certain employees of the Group to subscribe for an aggregate of 20,000,000 ordinary shares in the Company, representing 1.54% of the shares of the Company in issue as at 31 March 2014, under the terms of the pre-IPO share option scheme on 28 October 2002 (the "Pre-IPO Share Options Scheme"). On 14 November 2005, all share options granted under the Pre-IPO Share Option Scheme have been lapsed.

On 28 October 2002, the Company conditionally adopted a further share option scheme (the "Old Scheme") by a resolution of the sole shareholder of the Company. The Old Scheme became unconditional upon the listing of the Company's shares on the GEM on 15 November 2002. The Old Scheme was further amended by an ordinary resolution of the shareholders at the annual general meeting of the Company held on 28 July 2006 and was expired on 15 November 2012. Details of the Old Scheme have been set out in the Company's annual report of year 2012/13.

At an annual general meeting of the Company held on 7 August 2013, the Company's shareholders approved the adoption of a new share option scheme (the "New Scheme") and summary of the New Scheme is as follows:

### (a) Purpose and Participants of the New Scheme

The purpose of the New Scheme is to enable the Company to grant Options to (i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive Directors (including, without limitation, independent non-executive Directors) of the Company and/or any of its subsidiaries; (iii) any consultants, suppliers or customers of the Company and/or any of its subsidiaries; (iv) any employee (whether full-time or part-time and including Directors) of any entity (the "Invested Entity") in which the Group holds any equity interest; and/or (v) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for share options under the New Scheme (the "Eligible Participants") as incentives or rewards for their contribution to the Company and/or its Subsidiaries.

### (b) Maximum number of shares available for issue

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the New Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

The limit of the New Scheme can be issued under the New Scheme was 129,469,701 which is equivalent to 10% of the issued share capital of the Company as at the date of an annual general meeting of the Company held on 7 August 2013.

Subject to the issue of a circular by the Company and the approval of the shareholders of the Company (the "Shareholders") in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) refresh this limit at any time to 10% of the shares of the Company in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed).
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

# Directors' Report

- (iii) notwithstanding the foregoing, the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiary companies if this will result in the 30% limit being exceeded.

As at the latest practicable date prior to the issue of this report, options to subscribe for a total of 2,000,000 option shares were still outstanding under the New Scheme which represents approximately 0.15% of the issued ordinary shares of the Company.

## (c) Maximum entitlement of each Eligible Participant

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant or Grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where approximate, an existing Grantee) which would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon Shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing Grantee) and his, her or its associates abstaining from voting.

The Company must send a circular to the Shareholders disclosing the identity of the Eligible Participant or Grantee, the number and terms of options to be granted (and options previously granted) to such Eligible Participant, the information required under the GEM Listing Rules. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before the date on which Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

## (d) Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the New Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

## (e) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates (as defined in the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option).

Where any grant of options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director or any of their respective associates (as defined in the GEM Listing Rules) would result in the shares issued or to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of shares of the Company in issue; and
- (ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by shareholders of the Company,

# Directors' Report

The Company must send a circular to the shareholders disclosing (i) details of the number and terms of the options to be granted; (ii) a recommendation from the independent non-executive Directors (excluding an independent non-executive Director who is the proposed grantee of the options) on whether or not to vote in favour of the proposed grant; (iii) the information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees; and (iv) the information required under the GEM Listing Rules. Any change in the terms of options granted to a connected person or its associates must be approved by shareholders in a general meeting.

## (f) Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the New Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the New Scheme shall be valid and effective for a period of 10 years after the date of adoption of the New Scheme by Shareholders by resolution at a general meeting.

Particulars of the outstanding options which have been granted under the Old Scheme as at 31 March 2014 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					As at 31 March 2014
				As at 1 April 2013	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	
<i>Other Eligible Participants</i>									
In aggregate	14 September 2011	14 November 2011 to 13 November 2013	1.50	1,000,000	-	-	(1,000,000)	-	-
In aggregate	2 December 2011	2 December 2012 to 1 December 2013	1.24	6,000,000	-	-	(6,000,000)	-	-
				7,000,000	-	-	(7,000,000)	-	-

Particulars of the outstanding options which have been granted under the New Scheme as at 31 March 2014 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					As at 31 March 2014
				As at 1 April 2013	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	
<i>Other Eligible Participants</i>									
In aggregate	28 March 2014	29 March 2014 to 28 March 2015	0.492	-	2,000,000	-	-	-	2,000,000

# Directors' Report

## DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

### Executive Directors

Mr. He Chenguang

Mr. Bao Yueqing

(Appointed on 31 January 2014)

Mr. Zhang Peng

(Resigned on 31 January 2014)

### Non-Executive Directors

Dr. Lam Lee G.

(Resigned on 5 March 2014)

Mr. Xiao Haiping

(Resigned on 15 April 2014)

### Independent Non-Executive Directors

Mr. Yip Tai Him

Ms. Han Liqun

(Appointed on 31 January 2014)

Ms. Zhang Li

(Appointed on 20 March 2014)

Ms. Cao Huifang

(Resigned on 31 May 2014)

Ms. Liu Hong

(Resigned on 31 January 2014)

In accordance with Article 108 of the Articles of the Company, one-third (or, if their number is not three or a multiple of three, than the number nearest to, but not less than, one-third) of the Directors for the time being shall retire from office by rotation at the annual general meeting of the Company but shall then be eligible for re-election provided that every Director shall be subject to retirement by rotation at least once every three years. In accordance with Article 96 of the Articles, any Director appointed either to fill a causal vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. He Chenguang, Mr. Bao Yueqing, Ms. Han Liqun and Ms. Zhang Li shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written confirmations from each of the independent non-executive Directors for their annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company has assessed their independence and concluded that all independent non-executive Directors are considered to be independent within the definition of the GEM Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors and Non-Executive Directors has entered into a service contract with the Company. The employment of each Executive Directors and Non-Executive Directors under their respective service contract shall be continuous subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of service of such notice.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

# Directors' Report

## DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Directors' interests in contracts as disclosed in the section headed "Details of the continuing connected transactions of the Group" below, no Directors had a significant beneficial interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiary companies were a party at the end of the year ended 31 March 2014 or any time during the year ended 31 March 2014.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 8 and 9.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held				Number of underlying shares		Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme		
Xiao Haiping	1,000,000	-	-	-	1,000,000	-	1,000,000	0.08%
Bao Yueqing	2,844,000	-	-	-	2,844,000	-	2,844,000	0.22%

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 31 March 2014.



# Directors' Report

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2014, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) 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 Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Number of shares held				Total interests in shares	Number of underlying shares		Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other Interests		Share Option Scheme	Aggregate interests	
CCC (Note 1)	–	356,542,000	–	–	356,542,000	–	356,542,000	27.54%
CCI	356,542,000	–	–	–	356,542,000	–	356,542,000	27.54%
Jin Xian Gen (Note 2)	–	128,205,128	–	–	128,205,128	–	128,205,128	9.90%
Full Ocean Development Limited	128,205,128	–	–	–	128,205,128	–	128,205,128	9.90%
Jin Lin Jun (Note 3)	–	128,205,128	–	–	128,205,128	–	128,205,128	9.90%
Amazing International Holdings Limited	128,205,128	–	–	–	128,205,128	–	128,205,128	9.90%
Yang Shaoxiao (Note 4)	–	–	–	128,205,128	128,205,128	–	128,205,128	9.90%
Jin Yan (Note 5)	–	–	–	107,169,128	107,169,128	–	107,169,128	8.28%
Friendly Capital Limited	109,900,000	–	–	–	109,900,000	–	109,900,000	8.49%

Notes:

- (1) CCC is deemed to be substantial shareholder as defined in the GEM Listing Rules. CCI is a wholly-owned subsidiary of CCC.
- (2) Mr. Jin Xian Gen is interested in 90% of the entire issued share capital of Full Ocean Development Limited and is therefore deemed to be interested in 128,205,128 shares held by Full Ocean Development Limited by virtue of the SFO.
- (3) Mr. Jin Lin Jun is interested in 97% of the entire issued share capital of Amazing International Holdings Limited and is therefore deemed to be interested in 128,205,128 shares held by Amazing International Holdings Limited by virtue of the SFO.
- (4) Mr. Jin Lin Jun has pledged his equity interest in Amazing International Holdings Limited to Mr. Yang Shaoxiao, and Mr. Yang Shaoxiao is therefore considered to have a security interest in 128,205,128 shares held by Amazing International Holdings Limited by virtue of the SFO.
- (5) Mr. Jin Xian Gen has pledged his equity interest in Full Ocean Development Limited to Ms. Jin Yan, and Ms. Jin Yan is therefore considered to have security interest in 107,169,128 shares held by Full Ocean Development by virtue of the SFO.

Save as disclosed above, as at 31 March 2014, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

# Directors' Report

## MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

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

### Purchases

— the largest supplier	87%
— five largest suppliers	92%

### Sales

— the largest customer	100%
— five largest customers	100%

Save for CCC, being a shareholder of the Company interested in more than 5% of the Company's issued share capital through its shareholding in CCI, none of the Directors, their associates or any shareholder of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

## CONTINUING CONNECTED TRANSACTIONS

### Relationship between the Group and each of the relevant connected persons

CCC, a company established under the laws of the PRC. By virtue of its interests as to approximately 27.54% of the issued share capital of the Company held by CCI, its wholly-owned subsidiary, which is holding 356,542,000 shares of the Company, CCC is considered to be a connected person to the Company.

### Details of the continuing connected transactions of the Group

Pursuant to Rule 20.46 of the GEM Listing Rules, details of the continuing connected transactions during the year ended 31 March 2014 which the Company undertakes the transactions under the written agreements are set out as follows:

1. On 9 October 2012, CCC and Yijia entered into the second customers service hotline rental agreement, pursuant to which CCC shall provide a designated national customer service hotline number 95130\*\*\* to Yijia, in consideration of which CCC would charge Yijia (i) an annual fee of RMB20,000; (ii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to scaled-discount rates); and (iii) a calling charge of RMB0.15 per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system, representing a discount of 50% to the nationwide standard rate in the PRC. The calling charge rate was subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time;
2. On 9 October 2012, CCC and Yijia entered into the second server hosting agreement, pursuant to which (i) Yijia would place its servers in CCC's server rooms and CCC would provide monitoring, management and technical support services to Yijia and (ii) CCC would provide designated 300M-bandwidth share of the broadband leased line to Yijia for the operation of its website and CCC will also provide 90 IP addresses and not more than ten (10) racks of servers for the use of Yijia and supply 2200W (10A) electricity for each rack of servers rented to Yijia, in consideration of which CCC would charge Yijia an annual rental fee of not more than RMB8.4 million;

# Directors' Report

3. On 9 October 2012, CCC and Yijia entered into the second service agreement, pursuant to which Yijia would provide to CCC services regarding (i) the management and sale of the designated "Shentong Card" preloaded with certain telecommunication and insurance products of CCC; (ii) assistance in the after-sale-services for the designated "Shentong Card"; and (iii) following-up with the enquiries and/or complaints raised by the users of the designated "Shentong Card"; and (iv) customer management service, and promotion and marketing of the designated "Shentong Card", in consideration of which Yijia would charge CCC (i) issuance handling fees of RMB5 for each designated Shentong Card issued by Yijia; (ii) technical service commission of 20% of the total value of purchases made by the users through the designated "Shentong Card" issued by Yijia; (iii) sale commission of RMB3 for the insurance products preloaded in the designated "Shentong Card" issued by Yijia; and (iv) sale commission of 20% of the total value of purchases made by the users through the designated "Shentong Card" issued by Yijia for the property and life insurance products and 10% for the purchases of health insurance products;
4. On 9 October 2012, CCC and Yijia entered into the second web advertising agreement, pursuant to which Yijia agreed to place and CCC agreed to arrange for the web advertisements of Yijia to be published on the website of CCC "Shentong Net", and 24-hour technical support services should also be provided by CCC to Yijia to handle all technical issues arising out of the publication of the advertisements. The amount of advertising fees to be incurred by Yijia during the term of such web advertising agreement should not be made more than RMB2.5 million for the period commencing on the Effective Date until 31 March 2013 and RMB5 million for the two years ended 31 March 2015 and details of the advertising arrangement and the payment methods should be determined based on mutual agreement of Yijia and CCC to be reached at least three days prior to the publication of the relevant advertisements;

The aforesaid agreements have been reviewed by independent non-executive Directors of the Company who have confirmed that for the year ended 31 March 2014, the above agreements have been entered into (a) in the ordinary and usual course of business of the Group; (b) on terms no less favourable to the Group than terms available to or from independent third parties, and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed that the above connected transactions (a) has been approved by the Board, (b) the transactions were carried out based on the pricing policy of the Group, (c) has been entered into in accordance with the terms of the relevant agreements governing the transactions, and (d) the amounts of the transactions were not more than the annual cap amounts as approved by the Stock Exchange.

The Company confirms that it has complied with the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules during the year.

## RELATED PARTY TRANSACTIONS

During the year ended 31 March 2014, the Group had not entered into significant transactions with related parties. No transactions have been entered into with the Directors (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 13 to the financial statements.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Directors and within the knowledge of the Directors, it is confirmed that there is sufficient public float, representing more than 25% of the Company's issued shares at the latest practicable date prior to the issue of this report.

# Directors' Report

## COMPETING INTERESTS

None of the Directors of the Company nor their respective associates (as defined in the GEM Listing Rules) had any business or interest in a business which competes or may compete with the businesses of the Group.

## OTHER MATTERS

- (a) The company secretary and the qualified accountant of the Company is Ms. Hung Yee Ling, CPA.
- (b) The compliance officer of the Company is Mr. Bao Yueqing appointed pursuant to Rule 5.19 of the GEM Listing Rules.

## AUDITOR

The financial statements have been audited by RSM Nelson Wheeler who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board

**He Chenguang**

*Chairman*

Hong Kong, 18 June 2014

# Independent Auditor's Report



## **TO THE SHAREHOLDERS OF CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED** (Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Communication Telecom Services Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 67, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2014, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

# Independent Auditor's Report

## **MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS**

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$9,113,000 and net operating cash outflow of approximately HK\$7,234,000 for the year ended 31 March 2014 and as at 31 March 2014 the Group had a capital deficiency of approximately HK\$44,062,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

**RSM Nelson Wheeler**  
*Certified Public Accountants*  
Hong Kong

18 June 2014

# Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>	7	<b>38,865</b>	34,495
Cost of sales		<b>(12,015)</b>	(14,287)
<b>Gross profit</b>		<b>26,850</b>	20,208
Other income	8	<b>348</b>	104
Selling and distribution expenses		<b>(14,406)</b>	(13,689)
Administrative expenses		<b>(17,618)</b>	(18,270)
<b>Loss from operation</b>		<b>(4,826)</b>	(11,647)
Finance costs	10	<b>(1,897)</b>	(1,877)
<b>Loss before tax</b>		<b>(6,723)</b>	(13,524)
Income tax expense	11	<b>(2,390)</b>	(746)
<b>Loss for the year attributable to owners of the Company</b>	12	<b>(9,113)</b>	(14,270)
		<b>HK cents</b>	HK cents
<b>Loss per share</b>	16		
Basic		<b>(0.70)</b>	(1.19)
Diluted		<b>N/A</b>	N/A

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2014

	2014 HK\$'000	2013 HK\$'000
<b>Loss for the year</b>	<b>(9,113)</b>	(14,270)
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
— Exchange differences on translating foreign operations	<b>269</b>	391
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>(8,844)</b>	(13,879)



# Consolidated Statement of Financial Position

AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	1,643	1,468
Intangible assets	18	4,812	7,827
		<b>6,455</b>	9,295
<b>Current assets</b>			
Prepayments, deposits and other receivables	19	11,209	7,006
Bank and cash balances	20	51,680	59,248
		<b>62,889</b>	66,254
<b>Current liabilities</b>			
Accruals and other payables		2,017	1,735
Current tax liabilities		12,015	10,922
		<b>14,032</b>	12,657
<b>Net current assets</b>		<b>48,857</b>	53,597
<b>Total assets less current liabilities</b>		<b>55,312</b>	62,892
<b>Non-current liabilities</b>			
Promissory note	21	98,171	96,274
Deferred tax liabilities	22	1,203	1,957
		<b>99,374</b>	98,231
<b>NET LIABILITIES</b>		<b>(44,062)</b>	(35,339)

# Consolidated Statement of Financial Position

AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Capital and reserves</b>			
Share capital	23	<b>12,947</b>	12,947
Reserves	24	<b>(57,009)</b>	(48,286)
<b>TOTAL EQUITY</b>		<b>(44,062)</b>	(35,339)

Approved by the Board of Directors on 18 June 2014.

**He Chenguang**  
*Director*

**Bao Yueqing**  
*Director*

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2014

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2012	11,947	1,042,779	8,320	1,512	13,204	(1,130,876)	(53,114)
Total comprehensive income for the year	-	-	-	391	-	(14,270)	(13,879)
Share option scheme							
— share-based payments	-	-	-	-	884	-	884
— lapsed of share options granted	-	-	-	-	(12,566)	12,566	-
Issue of shares on placement (note 23)	1,000	30,000	-	-	-	-	31,000
Share issue expenses (note 23)	-	(230)	-	-	-	-	(230)
Changes in equity for the year	1,000	29,770	-	391	(11,682)	(1,704)	17,775
At 31 March 2013	12,947	1,072,549	8,320	1,903	1,522	(1,132,580)	(35,339)
At 1 April 2013	12,947	1,072,549	8,320	1,903	1,522	(1,132,580)	(35,339)
Total comprehensive income for the year	-	-	-	269	-	(9,113)	(8,844)
Share option scheme							
— share-based payments	-	-	-	-	121	-	121
— lapsed of share options granted	-	-	-	-	(1,522)	1,522	-
Changes in equity for the year	-	-	-	269	(1,401)	(7,591)	(8,723)
At 31 March 2014	12,947	1,072,549	8,320	2,172	121	(1,140,171)	(44,062)

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2014

	2014 HK\$'000	2013 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	<b>(6,723)</b>	(13,524)
Adjustments for:		
Amortisation of intangible assets	<b>3,099</b>	8,200
Depreciation	<b>761</b>	1,348
Equity-settled share-based payments	<b>121</b>	884
Finance costs	<b>1,897</b>	1,877
Gain on disposals of financial assets at fair value through profit or loss	<b>(312)</b>	–
Interest income	<b>(35)</b>	(35)
Operating loss before working capital changes	<b>(1,192)</b>	(1,250)
Increase in prepayments, deposits and other receivables	<b>(4,203)</b>	(2,699)
Increase in accruals and other payables	<b>282</b>	738
Cash used in operations	<b>(5,113)</b>	(3,211)
Income tax paid	<b>(2,121)</b>	(1,620)
Net cash used in operating activities	<b>(7,234)</b>	(4,831)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>35</b>	35
Purchase of financial assets at fair value through profit or loss	<b>(37,655)</b>	–
Proceeds from disposals of financial assets at fair value through profit or loss	<b>38,103</b>	–
Purchase of property, plant and equipment	<b>(918)</b>	(557)
Net cash used in investing activities	<b>(435)</b>	(522)

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2014

	2014 HK\$'000	2013 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	–	31,000
Share issue expenses paid	–	(230)
Repayment of promissory notes	–	(4,996)
Net cash generated from financing activities	–	25,774
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,669)</b>	20,421
Effect of foreign exchange rate changes	101	402
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>59,248</b>	38,425
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>51,680</b>	59,248
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	51,680	59,248

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309GT, Uglan House, South Church Street, Grand Cayman, Cayman Islands. The address of its principal place of business is Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 25 to the financial statements.

## 2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$9,113,000 and net operating cash outflow of approximately HK\$7,234,000 for the year ended 31 March 2014, and as at 31 March 2014 the Group had a capital deficiency of approximately HK\$44,062,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, the Directors had adopted the going concern basis in the preparation of the financial statements of the Group based on the followings:

- (a) On 31 March 2014, the Group agreed with China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2015.
- (b) The Directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.\*) ("CCC"), the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligations as they fall due, both present and future.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group. The Directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

\* *English name is for identification purpose only*

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years except as stated below.

### a. Amendments to HKAS 1 “Presentation of Financial Statements”

Amendments to HKAS 1 titled “Presentation of Items of Other Comprehensive Income” introduce optional new terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 did not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### b. HKFRS 10 “Consolidated Financial Statements”

HKFRS 10 “Consolidated Financial Statements” supersedes the requirements relating to consolidated financial statements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” and Hong Kong (SIC) Interpretation 12 “Consolidation — Special Purpose Entities”. HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. It requires the consolidation of an investee if the entity controls the investee on the basis of de facto circumstances.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise the right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

#### (ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in statement of profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in statement of profit or loss and other comprehensive income, any exchange component of that gain or loss is recognised in statement of profit or loss and other comprehensive income. When a gain or loss on a non-monetary item is recognised in statement of profit or loss, any exchange component of that gain or loss is recognised in statement of profit or loss.

#### (iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated statement of profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in statement of profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates appropriate to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	33%–50%
Leasehold improvements	Shorter of unexpired lease period and useful lives
Equipment, furniture and fixtures	25%–33%
Motor vehicles	18%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in statement of profit or loss.

### (d) Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Amortisation of intangible assets is charged to statement of profit or loss on a straight line basis over the estimated useful lives.

### (e) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

### (f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in statement of profit or loss and other comprehensive income is recognised in statement of profit or loss.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Recognition and derecognition of financial instruments (Continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in statement of profit or loss.

### (g) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gain or losses arising from changes in fair value of these investments are recognised in profit or loss.

### (h) Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in statement of profit or loss.

Impairment losses are reversed in subsequent periods and recognised in statement of profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### (i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

### (j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below in notes 4(k) to 4(m).

### (k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (l) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### (n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Promotion and management services income includes issuance handling fees and sales commission which is based on the number of electronic smart card "Shentong Card" activated, technical services commission which is based on the total value of expenditures of Shentong Card users. Revenue recognised in respect of promotion and management services income is net of value-added tax and other sales levy.

Interest income is recognised on a time-proportion basis using the effective interest method.

### (o) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to statement of profit or loss represents contributions payable by the Group to the funds.

#### (iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### (p) Share-based payments

The Group issues equity-settled share-based payments to certain employees and others providing similar services.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

### (q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Borrowing costs (Continued)

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

### (r) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in statement of profit or loss, except when it relates to items recognised in statement of profit or loss and other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### (s) Related parties

A related party is a person or entity that is related to the Group.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Related parties (Continued)

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### (t) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### (v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

#### *Going concern basis*

The Group adopted the going concern basis in the preparation of the financial statements. Details of the assumptions adopted by the Directors for adopting the going concern basis in preparing the financial statements are set out in note 2 to the financial statements.

#### **Key sources of estimation uncertainty**

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

### (a) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

### (b) *Amortisation of intangible assets*

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group reassesses the useful life of the intangible assets annually and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

### (c) *Impairment of intangible assets*

Determining whether intangible assets impaired requires an estimation of the value in use of the cash-generating unit to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to generate from the cash-generating unit and a suitable discount rate in order to calculate the present value.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

### (d) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying amount of the receivables and doubtful debt expenses in the year in which such estimate has been changed.

### (e) *Income taxes*

The Group is subject to various taxes in the People's Republic of China (the "PRC"). Significant estimates are required in determining the provision for those taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) *Foreign currency risk*

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the principal operation entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (b) *Credit risk*

The carrying amount of the bank and cash balances and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has certain concentrations of credit risk in the amount due from a substantial shareholder. The amount due from a substantial shareholder is closely monitored by the Directors.

The credit risk on bank and cash balances is limited because the counterparties are banks well recognised by the market.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
<b>At 31 March 2014</b>				
Accruals and other payables	2,017	–	–	–
Promissory note	–	100,543	–	–
<b>At 31 March 2013</b>				
Accruals and other payables	1,735	–	–	–
Promissory note	–	98,655	–	–

As described in notes 2 and 21 to the financial statements, the Group has reached an agreement with CCI to postpone the maturity date of promissory note to 30 June 2015. The Directors are of the view that this agreement would be adequate to maintain the liquidity risk to an acceptable level.

### (d) Interest rate risk

The Group has minimal exposure to interest rate risk as the changes in market interest rates have insignificant effect on the Group's operating cash flow.

The Group's interest-rate risk arises from promissory note, which is at fixed rate and will expose the Group to fair value interest-rate risk.

### (e) Categories of financial instruments at 31 March:

	2014 HK\$'000	2013 HK\$'000
<b>Financial assets:</b>		
Loans and receivables (including cash and cash equivalents)		
— Deposits and other receivables	9,442	5,742
— Bank and cash balances	51,680	59,248
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost		
— Accruals and other payables	2,017	1,735
— Promissory note	98,171	96,274

### (f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 7. TURNOVER

The Group's turnover which represents services rendered to its sole customer, CCC, is as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Promotion and management services	<b>38,865</b>	34,495

## 8. OTHER INCOME

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	<b>312</b>	–
Interest income	<b>35</b>	35
Sundry income	<b>1</b>	69
	<b>348</b>	104

## 9. SEGMENT INFORMATION

The Group has the following reportable segment:

Promotion and management services	—	Provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC
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The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include finance costs, income tax expense and unallocated corporate expenses. Segment assets include all non-current assets and current assets with the exception of corporate assets. Segment liabilities include all non-current liabilities and current liabilities with the exception of current tax liabilities, deferred tax liabilities and corporate liabilities.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 9. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss, assets and liabilities:

	<b>Promotion and management services</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Year ended 31 March</b>		
Revenue from external customer	<b>38,865</b>	34,495
Segment profit	<b>6,915</b>	763
Interest income	<b>31</b>	33
Depreciation and amortisation	<b>3,860</b>	9,548
Additions to segment non-current assets	<b>918</b>	557
<b>As at 31 March</b>		
Segment assets	<b>34,055</b>	28,557
Segment liabilities	<b>1,210</b>	844

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 9. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>		
Total revenue of reportable segment	38,865	34,495
Consolidated turnover	38,865	34,495
<b>Profit or loss</b>		
Total profit of reportable segment	6,915	763
Finance costs	(1,897)	(1,877)
Income tax expense	(2,390)	(746)
Unallocated head office and corporate expenses	(11,741)	(12,410)
Consolidated loss for the year	(9,113)	(14,270)
<b>Assets</b>		
Total assets of reportable segment	34,055	28,557
Unallocated head office and corporate assets	35,289	46,992
Consolidated total assets	69,344	75,549
<b>Liabilities</b>		
Total liabilities of reportable segment	1,210	844
Current tax liabilities	12,015	10,922
Deferred tax liabilities	1,203	1,957
Unallocated head office and corporate liabilities	98,978	97,165
Consolidated total liabilities	113,406	110,888

### Geographical information

No separate analysis of segment information by geographical is presented as the Group's turnover and non-current assets are principally attributable to a single geographical region, which is the PRC.

### Major customer

For the years ended 31 March 2014 and 2013, the Group has only one customer which contributed more than 10% of the turnover of the Group. The customer is under the promotion and management services segment and the gross income is approximately HK\$39,059,000 (2013: HK\$35,314,000).

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 10. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on promissory note payable to CCI	1,897	1,877

## 11. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Current tax		
Provision for the year	3,159	2,796
Under-provision in prior year	6	–
Deferred tax (note 22)	(775)	(2,050)
	2,390	746

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2014 and 2013.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2013: 25%).

The reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	2014 HK\$'000	2013 HK\$'000
Loss before tax	(6,723)	(13,524)
Tax at the PRC Enterprise Income Tax rate of 25% (2013: 25%)	(1,681)	(3,381)
Tax effect of income that is not taxable	(1)	(11)
Tax effect of expenses that are not deductible	4,066	4,138
Under-provision in prior year	6	–
Income tax expense	2,390	746

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2014 HK\$'000	2013 HK\$'000
Amortisation of intangible assets		
— included in cost of sales	479	5,647
— included in selling and distribution expenses	2,620	2,553
	<b>3,099</b>	8,200
Depreciation	761	1,348
Operating lease charges for land and buildings	3,618	2,858
Auditor's remuneration		
— audit services	525	525
— other services	487	513
	<b>1,012</b>	1,038
Equity-settled share-based payments	121	884
Staff costs including Directors' emoluments		
— salaries, bonus and allowances	9,444	9,460
— retirement benefits scheme contributions	523	483
	<b>9,967</b>	9,943

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each Director were as follows:

	Note	Fees HK\$'000	Salary and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
He Chenguang		–	1,800	15	1,815
Bao Yueqing	(a)	–	200	2	202
Zhang Peng	(b)	–	1,400	13	1,413
<b>Non-executive Directors</b>					
Xiao Haiping	(c)	–	120	6	126
Lam Lee G.	(d)	–	112	6	118
<b>Independent non-executive Directors</b>					
Yip Tai Him		100	–	–	100
Han Liqun	(a)	8	–	–	8
Zhang Li	(e)	2	–	–	2
Cao Huifang	(f)	100	–	–	100
Liu Hong	(b)	85	–	–	85
Total for the year ended 31 March 2014		295	3,632	42	3,969
<b>Executive Directors</b>					
He Chenguang		–	1,800	15	1,815
Zhang Peng	(b)	–	1,680	15	1,695
Xiao Haiping	(c)	–	300	5	305
<b>Non-executive Directors</b>					
Xiao Haiping	(c)	–	70	4	74
Lam Lee G.	(d)	–	4	–	4
<b>Independent non-executive Directors</b>					
Yip Tai Him		100	–	–	100
Cao Huifang	(f)	100	–	–	100
Liu Hong	(b)	100	–	–	100
Lam Lee G.	(d)	22	–	–	22
Total for the year ended 31 March 2013		322	3,854	39	4,215

Notes:

- (a) Appointed on 31 January 2014.
- (b) Resigned on 31 January 2014.
- (c) Re-designated as non-executive Director on 1 September 2012 and resigned on 15 April 2014.
- (d) Appointed as independent non-executive Director on 1 January 2013, re-designated as non-executive Director on 18 March 2013 and resigned on 5 March 2014.
- (e) Appointed on 20 March 2014.
- (f) Resigned on 31 May 2014.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The five highest paid individuals in the Group during the year included two (2013: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2013: two) employees are set out below:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Basic salaries and allowances	<b>2,164</b>	1,715
Retirement benefits scheme contributions	<b>43</b>	28
	<b>2,207</b>	1,743

The emoluments fell within the following bands:

	<b>Number of individuals</b>	
	<b>2014</b>	2013
Nil to HK\$1,000,000	<b>2</b>	1
HK\$1,000,000 to HK\$1,500,000	<b>1</b>	1
	<b>3</b>	2

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 14. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included approximately HK\$11,870,000 (2013: HK\$14,973,000) which has been dealt with in the financial statements of the Company.

## 15. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2013: HK\$Nil).

## 16. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$9,113,000 (2013: HK\$14,270,000) and the weighted average number of ordinary shares of 1,294,697,017 (2013: 1,198,258,660) in issue during the year.

### (b) Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 March 2014 and 2013.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 17. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 April 2012	3,342	944	509	890	5,685
Additions	540	–	17	–	557
Exchange differences	67	–	7	17	91
At 31 March 2013 and 1 April 2013	3,949	944	533	907	6,333
Additions	918	–	–	–	918
Exchange differences	47	–	5	11	63
At 31 March 2014	4,914	944	538	918	7,314
<b>Accumulated depreciation and impairment losses</b>					
At 1 April 2012	1,838	944	341	331	3,454
Charge for the year	1,054	–	121	173	1,348
Exchange differences	48	–	6	9	63
At 31 March 2013 and 1 April 2013	2,940	944	468	513	4,865
Charge for the year	542	–	41	178	761
Exchange differences	34	–	4	7	45
At 31 March 2014	3,516	944	513	698	5,671
<b>Carrying amount</b>					
At 31 March 2014	1,398	–	25	220	1,643
At 31 March 2013	1,009	–	65	394	1,468

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 18. INTANGIBLE ASSETS

	Distribution network HK\$'000	Service contract HK\$'000	Total HK\$'000
<b>Cost</b>			
At 1 April 2012	72,332	179,827	252,159
Exchange differences	1,319	3,279	4,598
At 31 March 2013 and 1 April 2013	73,651	183,106	256,757
Exchange differences	884	2,199	3,083
At 31 March 2014	74,535	185,305	259,840
<b>Accumulated amortisation and impairment losses</b>			
At 1 April 2012	62,568	173,723	236,291
Amortisation for the year	2,553	5,647	8,200
Exchange differences	1,181	3,258	4,439
At 31 March 2013 and 1 April 2013	66,302	182,628	248,930
Amortisation for the year	2,620	479	3,099
Exchange differences	801	2,198	2,999
At 31 March 2014	69,723	185,305	255,028
<b>Carrying amount</b>			
At 31 March 2014	4,812	–	4,812
At 31 March 2013	7,349	478	7,827

The remaining amortisation period of distribution network is 1.8 years (2013: 2.8 years).

The Group carried out review of the recoverable amount of its intangible assets as at 31 March 2014 having regard to the market conditions of the Group's services. These intangible assets are used in the Group's promotion and management services segment. No impairment has been recognised for the two years ended 31 March 2014 and 2013. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method. The average discount rate used in measuring value in use at the end of reporting period was 22.4% (2013: 21.1%).

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Amount due from a substantial shareholder (note)	<b>8,769</b>	5,303
Other receivables	<b>18</b>	16
Prepayments and deposits	<b>2,422</b>	1,687
	<b>11,209</b>	7,006

Note: The amount due from CCC, a substantial shareholder is denominated in Renminbi ("RMB"), unsecured, interest-free and repayable on demand.

## 20. BANK AND CASH BALANCES

As at 31 March 2014, the bank and cash balances of the Group's subsidiary in the PRC denominated in RMB amounted to approximately HK\$17,210,000 (2013: HK\$12,796,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 21. PROMISSORY NOTE

As at 31 March 2014, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (2013: HK\$94,427,000).

On 31 March 2013, the Group and CCI agreed to extend the maturity date from 30 June 2013 to 30 June 2014. On 31 March 2014, the Group and CCI agreed to extend the maturity date from 30 June 2014 to 30 June 2015.

The principal amount of the promissory note is denominated in Hong Kong dollars. The promissory note is unsecured. As at 31 March 2014, the coupon rate is 2% per annum (2013: 2% per annum) and the effective interest rate is 1.93% (2013: 1.97%).

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 22. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group.

	Revaluation of acquired intangible assets HK\$'000
At 1 April 2012	(3,967)
Credit to consolidated profit or loss for the year (note 11)	2,050
Exchange differences	(40)
At 31 March 2013 and 1 April 2013	(1,957)
Credit to consolidated profit or loss for the year (note 11)	775
Exchange differences	(21)
At 31 March 2014	(1,203)

As at 31 March 2014, the Group has unused tax losses of approximately HK\$19,566,000 (2013: HK\$19,566,000) available for offset against future profits and may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised is approximately HK\$19,061,000 (2013: HK\$13,303,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 23. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2014 and 2013	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 1 April 2012	1,194,697,017	11,947
Issue of shares on placement (note)	100,000,000	1,000
At 31 March 2013, 1 April 2013 and 31 March 2014	1,294,697,017	12,947

Note: On 26 February 2013, the Company and Chief Securities Limited entered into a placing agreement in respect of the placement of 100,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.31 per share. The placement was completed on 19 March 2013 and the premium on the issue of shares net of share issue expenses, amounting to approximately HK\$29,770,000, was credited to the Company's share premium account.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 23. SHARE CAPITAL (CONTINUED)

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements to the capital structure in light of changes in economic conditions.

There was no change in the Group's approach to capital management during the year.

The Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as total liabilities divided by total assets.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio below 300%. The Group's gearing ratios as at 31 March 2014 and 2013 were as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Total liabilities	<b>113,406</b>	110,888
Total assets	<b>69,344</b>	75,549
Gearing ratio	<b>164%</b>	147%

In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 24. RESERVES

### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Company

	Note	Share premium HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2012		1,042,779	13,204	(1,021,941)	34,042
Loss for the year	14	–	–	(14,973)	(14,973)
Issue of shares on placement	23	30,000	–	–	30,000
Share issue expenses	23	(230)	–	–	(230)
Share option scheme					
— share-based payments		–	884	–	884
— lapsed of share options granted		–	(12,566)	12,566	–
At 31 March 2013		1,072,549	1,522	(1,024,348)	49,723
At 1 April 2013		1,072,549	1,522	(1,024,348)	49,723
Loss for the year	14	–	–	(11,870)	(11,870)
Share option scheme					
— share-based payments		–	121	–	121
— lapsed of share options granted		–	(1,522)	1,522	–
At 31 March 2014		1,072,549	121	(1,034,696)	37,974

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 24. RESERVES (CONTINUED)

### (c) Nature and purpose of reserves

#### (i) *Share premium*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (ii) *Merger reserve*

The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 2002.

#### (iii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(b) to the financial statements.

#### (iv) *Share-based payment reserve*

The share-based payment reserve represents equity-settled share-based payments to certain eligible participants of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 4(p) to the financial statements.

## 25. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Investments in subsidiaries

	The Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted investments, at cost	<b>3,293</b>	3,293
Less: impairment losses (note (iii))	<b>(3,273)</b>	(3,273)
	<b>20</b>	20

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 25. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 March 2014 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Favor Grow Holdings Limited	British Virgin Islands	US\$10 ordinary shares	100%	–	Investment holding
Grandsun International Creation Limited	Hong Kong	HK\$1 ordinary share	–	100%	Investment holding
hk6.com Limited	Hong Kong	HK\$1,000 ordinary shares	–	100%	Inactive
HK6 Investment China (BVI) Limited	British Virgin Islands	US\$1 ordinary share	100%	–	Investment holding
HK6 Investment Limited	British Virgin Islands	US\$2,614 ordinary shares	100%	–	Investment holding
HK6 Media Limited	Hong Kong	HK\$2 ordinary shares	–	100%	Inactive
Hong Kong Financial Institute Limited	Hong Kong	HK\$1,307 ordinary shares	–	100%	Inactive
Oriental Glory (H.K.) Limited	Hong Kong	HK\$1 ordinary share	–	100%	Investment holding
Pro-Concept Development Limited	British Virgin Islands	US\$1 ordinary share	–	100%	Inactive
Sino Key International Limited	British Virgin Islands	US\$1 ordinary share	–	100%	Inactive
Success Advantage Investments Limited	British Virgin Islands	US\$1 ordinary share	–	100%	Inactive
神州奧美網絡(國際)有限公司	Hong Kong	HK\$1 ordinary share	100%	–	Not yet commence business
北京神通益家科技服務有限公司 (note) (Beijing Shentong Yijia Technology Services Company Limited*)	PRC	RMB1,000,000	–	100%	Provision of promotion and management services for an electronic smart card “Shentong Card” in the PRC

Note: Established in the PRC as a wholly foreign-owned enterprise.

\* *English name is for identification purpose only*



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 25. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

Amounts due from/(to) subsidiaries

	The Company	
	2014 HK\$'000	2013 HK\$'000
Amounts due from subsidiaries (note (i))	<b>957,826</b>	954,980
Less: Allowance for doubtful debts (note (ii))	<b>(936,771)</b>	(934,060)
	<b>21,055</b>	20,920
Amount due to a subsidiary (note (i))	<b>(2,104)</b>	(2,118)

Notes:

(i) The amounts are unsecured, interest-free and repayable/payable on demand.

(ii) Movements in the allowance for doubtful debts:

	The Company	
	2014 HK\$'000	2013 HK\$'000
At 1 April	<b>934,060</b>	929,597
Impairment losses recognised	<b>2,711</b>	4,463
At 31 March (note (iii))	<b>936,771</b>	934,060

(iii) In view of the recurring operating loss of certain subsidiaries and the net liability positions of these subsidiaries, the Directors decided that cumulative impairment loss as at 31 March 2014 of approximately HK\$3,273,000 (2013: HK\$3,273,000) and HK\$936,771,000 (2013: HK\$934,060,000) in respect of the Company's investments in subsidiaries and the amounts due from subsidiaries are to be recognised respectively.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 26. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

The Company operates two share option schemes, namely the Old Scheme and the New Scheme (collectively referred to as the "Schemes"). The purpose of the Schemes is to provide incentives and rewards to eligible participants who may contribute to the growth and development of the Group. Eligible participants include the employees (including executive Directors), non-executive Directors (including independent non-executive Directors), any consultants, suppliers or customers, employees of any invested entity and any person who, in the sole discretion of the Board has contributed or may contribute to the Group eligible for share options under the Schemes.

On 28 October 2002, the Company conditionally adopted the Old Scheme. The Old Scheme became unconditional upon the listing of the Company's shares on the GEM on 15 November 2002. The Old Scheme was further amended by a resolution of the shareholders at the annual general meeting of the Company held on 28 July 2006, and finally expired on 15 November 2012. However, the outstanding share options granted under the Old Scheme shall continue to be valid and exercisable during the prescribed exercise period in accordance with the Old Scheme.

At the annual general meeting of the Company held on 7 August 2013, the Company's shareholders approved the adoption of the New Scheme. The New Scheme became effective on 7 August 2013 and, unless otherwise cancelled or amended, the New Scheme will remain in force for 10 years from that date.

Concerning the New Scheme, the maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the New Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders. The aggregate number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is required to be approved by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or any independent non-executive Director of the Company, or to any of their respective associates, such that within any 12-month period, in aggregate in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each offer) in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 26. SHARE-BASED PAYMENTS (CONTINUED)

### Equity-settled share option scheme (Continued)

The subscription price for a share of the Company in respect of any particular option granted under the New Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the outstanding options granted under the Schemes as at the end of the reporting periods are as follows:

### *Employees and others providing similar services*

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of shares issuable under options granted	
				2014 '000	2013 '000
<b>Old Scheme</b>					
14 September 2011	15 September 2011 to 13 November 2011	14 November 2011 to 13 November 2013	1.50	–	1,000
2 December 2011	3 December 2011 to 1 December 2012	2 December 2012 to 1 December 2013	1.24	–	6,000
<b>New Scheme</b>					
28 March 2014	Immediately	29 March 2014 to 28 March 2015	0.492	<b>2,000</b>	–
				<b>2,000</b>	7,000

Options not exercised will expire after the exercisable period.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 26. SHARE-BASED PAYMENTS (CONTINUED)

Details of the share options outstanding during the year are as follows:

	2014	Weighted average exercise price HK\$	2013	Weighted average exercise price HK\$
	Number of share options '000		Number of share options '000	
Outstanding at the beginning of the year	7,000	1.28	39,170	1.27
Granted during the year	2,000	0.492	–	–
Lapsed during the year	(7,000)	1.28	(32,170)	1.27
Outstanding at the end of the year	2,000	0.492	7,000	1.28
Exercisable at the end of the year	2,000	0.492	7,000	1.28

The share options outstanding at the end of the reporting period have a remaining contractual life of 0.99 year (2013: 0.66 year) and with exercise price of HK\$0.492 (2013: ranged from HK\$1.24 to HK\$1.50). For the year ended 31 March 2014, 2,000,000 share options were granted under the New Scheme on 28 March 2014. No options were granted for the year ended 31 March 2013.

The fair values of options granted were determined using the Black-Scholes pricing model with assumptions set out as follows:

Grant date	28 March 2014
Share price on grant date	HK\$0.475
Exercise price	HK\$0.492
Expected volatility	50.524%
Expected life	0.5 year
Risk-free rate	0.16%
Fair values of options granted	HK\$120,680

Expected volatility was determined by using historical volatility of the Company's share price over a historic period equal to respective expected life. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## 27. CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any significant contingent liabilities (2013: HK\$Nil).

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 28. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2014 HK\$'000	2013 HK\$'000
Property, plant and equipment		
— Contracted but not provided for	1,056	160

## 29. LEASE COMMITMENTS

At end of each of the reporting period the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	3,244	2,094
In the second to fifth years inclusive	3,127	1,081
	6,371	3,175

Operating lease payments represent rentals payable by the Group for a number of properties held under operating leases. Leases are negotiated for a range from two to three years and rentals are fixed over the lease terms and do not include contingent rentals.

## 30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	2014 HK\$'000	2013 HK\$'000
Promotion and management service income from CCC	39,059	35,314
Service fee to CCC		
— Advertising expenses	(6,054)	(5,266)
— Customer service hotline rental	(1,532)	(1,230)
— Server hosting service	(8,476)	(6,343)

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

## 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	25	20	20
<b>Current assets</b>			
Amounts due from subsidiaries	25	21,055	20,920
Prepayments		120	118
Bank and cash balances		32,547	44,521
		<b>53,722</b>	65,559
<b>Current liabilities</b>			
Other payables and accruals		717	791
Amount due to a subsidiary	25	2,104	2,118
		<b>2,821</b>	2,909
<b>Net current assets</b>		<b>50,901</b>	62,650
<b>NET ASSETS</b>		<b>50,921</b>	62,670
<b>Capital and reserves</b>			
Share capital		12,947	12,947
Reserves	24(b)	37,974	49,723
<b>TOTAL EQUITY</b>		<b>50,921</b>	62,670

## 32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 18 June 2014.