



# Gold Tat Group International Limited

(formerly known as Mobile Telecom Network (Holdings) Limited)  
(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 8266

Annual Report **2014**





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## Corporate Information

### DIRECTORS

#### Executive Directors

Mr. So Loi Fat (*Chairman*)  
(appointed on 7 January 2014)  
Mr. Chan Wai Kwong, Peter  
Mr. Siu King Nin, Peter (resigned on 28 June 2013)  
Mr. Choi Ho Yan  
Mr. So Haw, Herman

#### Independent Non-executive Directors

Mr. Chiu Wai Piu  
Mr. Cheung Kwan Hung, Anthony  
Mr. Heung Chee Hang, Eric

### COMPLIANCE OFFICER

Mr. Chan Wai Kwong, Peter

### AUTHORISED REPRESENTATIVES

Mr. Chan Wai Kwong, Peter  
Mr. So Haw, Herman

### COMPANY SECRETARY

Ms. Chang Kam Lai, *CPA*

### AUDIT COMMITTEE

Mr. Cheung Kwan Hung, Anthony (*Chairman*)  
Mr. Chiu Wai Piu  
Mr. Heung Chee Hang, Eric

### REMUNERATION COMMITTEE

Mr. Cheung Kwan Hung, Anthony (*Chairman*)  
Mr. Chiu Wai Piu  
Mr. Heung Chee Hang, Eric

### NOMINATION COMMITTEE

Mr. Chiu Wai Piu (*Chairman*)  
Mr. Cheung Kwan Hung, Anthony  
Mr. Heung Chee Hang, Eric  
Mr. So Haw, Herman

### AUDITOR

RSM Nelson Wheeler

### LEGAL ADVISER

Michael Li & Co

### CAYMAN ISLANDS 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  
17M, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1006, 10th Floor  
Ocean Centre, Harbour City  
Tsim Sha Tsui  
Kowloon, Hong Kong

### PRINCIPAL BANKER

Standard Chartered Bank

### WEBSITE

[www.goldtatgroup.com](http://www.goldtatgroup.com)

### STOCK CODE

8266

## Schedule of Principal Properties

The following list contains properties held by the Group as at 31 March 2014:

### 1. INVESTMENT PROPERTIES

Location	Term	Type	Group's interest
Flat A, 52nd Floor, Tower 2, Manhattan Hill, No. 1 Po Lun Street, Kowloon, Hong Kong N.K.M.L. No. 3	Medium Lease	Residential	100%
Flat B, 5th Floor, No. 75 Broadway Mei Foo Sun Chuen, Kowloon, Hong Kong The remaining portion of N.K.I.L. No. 5087	Medium Lease	Residential	75%

### 2. PROPERTIES UNDER DEVELOPMENT

Location	Particulars of occupancy	Type	The site and gross floor area	Group's interest
Two separate parcels of land located at Wumaling, Longtao, Jiangcheng District, Yangjiang City, Guangdong Province, the People's Republic of China (the "PRC")	Vacant land as at the date of the annual report	Residential/ Commercial	Site area – approximately 173,602 square feet Gross floor area – approximately 504,313 square feet	66.66%

## Chairman's Statement

Dear Shareholders,

I would like to first express my appreciation on electing me as the new Chairman of the Board during the 2013/14 financial year, and it would be my duty here to report to you the annual report of Gold Tat Group International Limited (the "Company") for the financial year ended 31 March 2014.

Over the latest fiscal year, the Company and its subsidiaries (collectively the "Group") had undergone some drastic changes and confronted with various difficult challenges. It was our determination and persistence mind-set within the Group that allowed us to prevail and manage to overcome and resolve these delicate matters.

Fundamentally, the business directions for the Group were on track and continued to ride the growing trend of technological developments from large international manufacturers in the mobility and user experience segments. To maximise the potential value that could be created, the Group's approach was two prongs, namely hardware and software. This approach coupled with the existing expertise accumulated over the years in the respective subsidiaries was effective and the results reflected the positive outcomes that corresponded to the management's predictions. In the near term, the Group planned to consolidate these advantages and would adjust for economic and taste variations to increase our much deserved rewards.

Under the minor diversification plan implemented several years ago, the Group began investing into real estates in the Greater China region. These real estate developments had been slow recently due to the deceleration of the Chinese economy in the past few years. The operational side of these investments however remained to be profitable albeit the Group's current unrealised return position. To ensure these investments would yield positively, the Group had enhanced monitoring and identifying opportunities to materialise these investments in an appropriate manner.

As the Group looked ahead, consolidation and increase competitiveness in key areas of existing business segments through our subsidiaries would be the main focuses. The Group however would keep an open mind in new opportunities to increase the Group's value for our shareholders.

Last but not least, I sincerely express my gratitude to all our shareholders, customers and any stakeholders for their constant support. Special mention would be the management team and all our staffs for inputting much effort and time in extraordinarily fashions to produce these results for the Group, their services over the year were undoubtedly invaluable. Here I thank you again, and I am sure our determination as a team will continue to strive for further achievements and create more value in future for the Group and our shareholders.

By order of the Board

**SO Loi Fat**  
*Chairman of the Board*

Hong Kong, 23 June 2014

# Management Discussion and Analysis

## GENERAL

The Group had been participating in the following activities:

- Mobile Application Development and Information Technology Consultant Services;
- Trading of Electronic Hardware Components (Display and Touch Panel Modules) with Compatibility Solutions Advisory Services; and
- Real Estate Development and Investment

## BUSINESS REVIEW

### *Mobile Application Development and Information Technology Consultant Services*

The fundamental business of the Group, MTel is the mobile and IT industry business, has continued to go from strength to strength despite the ever increasing market competition from multi-international companies to talented individuals. During the latest financial year, the business revenue and profit was approximately HK\$41,557,000 and HK\$472,000 respectively. This translated to an increase of 12.7% for revenue and was a shift from loss back to profit compared to the previous financial year.

One of the main areas of this business activity, Mobile Application Development, is a service to provide mobile solution services for clients. The Group continues to engage in more projects with various companies from different industries to reflect our capability and set up a new business operation in Taiwan market for business replication. The continuing development and upgrade of various popular mobile platform from developers and manufacturers further assist fuelling the industry growth with Apple iOS, Google Android and Microsoft Windows 8 leading the charge. Along with single platform mobile solution development, the company is also capable to provide solution for cross-platforms to increase clients and end users expectations as well as capturing the most of a single product. It is evident that the general trend of value adding with the convenience of mobility will be forevermore demanding. The Group has been well positioned to capture this advantage over the past financial year through vertically integrating the development process. This includes the provision of one stop service to integrate services such as marketing, promotional material, technological consultation and data collection (download counts/frequency). To reinforce the business, the Group has always maintain relationship with the clients and some of the bigger names we have cooperated with are MTR, Shangri-La Hotel & Resorts, Standard Chartered Bank, etc.



## Management Discussion and Analysis

In strengthening the business and competitive edge, the technical side has relentlessly focus on research and development in new software on mobile applicable technology especially on real time responses. This is particularly important in this industry to remain at the cutting edge of technology as well as expressing the Group's in-house capability. Furthermore, the capital investment from the Group displays the determination and focus in this field through its financial support. One of these evidences is the set up of games development, a highly lucrative yet ambitious segment, as an extension through the knowledge and confidence built through research and development. Over the last financial year, the Group has already beginning to enjoy some of the returns and as this segment continues to mature within the group, it will be another self sustaining business. In time, the Group will establish a well known brand name to the mass public market directly and leverage on the extensive knowledge and operations in other business areas to increase synergy and profitability. Along with the technical expertise of mobile application development, the Group will not be as it is without Information Technology Consultant Services. Its knowhow has been the foundation to our business using the old fashioned tailored solution for strategic planning. This arrangement has been contributing positively to the business in multiple ways that allows the consultation service arm to be independent as well as collaborative seamlessly with other business areas to bring out the maximum synergy.

### ***Trading of Electronic Hardware Components (Display and Touch Panel Modules) with Compatibility Solutions Advisory Services***

An acquired business in 2012, ETC, is an experienced and reputed unit and continues to operate under the same management team. This business arm has maintained excellent agency service contracts of many years for the China market with two major renowned suppliers both listed on the Taiwan Stock Exchange, whilst the mechanised customers are amongst the largest names in China and Asia Pacific. The main business of this unit is the trading of hardware electronic parts specifically relating to display and/or touch panel modules. Same as last year, ETC has met its expectation with revenue and profit of approximately HK\$939,668,000 and HK\$8,113,000 for this financial year period ending 31 March 2014. This although has not increase much compared to last year, the business unit has remained competitive in a fierce market using its available finance budget. Interestingly, almost similar to the mobile business unit, here a reliance on the mobility market and technology usability dictates the growth of this industry segment. For the last year and foreseeable future years, these technologies are continuing to be in high demand with an increase in applications. In view of this the Group will continue supporting the business in terms of its trading capacity for a balanced growth.

### ***Real Estate Development and Investment***

Late last year, the Group had successfully acquired another real estate development project in Yangjiang City, Guangdong Province called "Xiangjiang Peninsula". This increased the Group real estate development portfolio to three and further displayed the concentration effort in the area of Yangjiang City. All current real estate development projects had been going well and made steady progress to complete either construction or sales as per management schedule. The most notable advancement of the projects was the Xiangjiang Peninsula, with stage two constructions underway and the Group looked forward to begin its sales soon. It was noted that despite a general slow down of the China economy, the local appetite and sentiment for the real estate had maintained to be medium-strong. This had given the Group initial conservative notion much relief and allowed continuation of the projects. It however highlighted a much more cautious investment evaluation was needed along with more preparations against adverse conditions.

Closer to home in Hong Kong, the Group has been enjoying the rental return from continued lease out of the properties.





## Management Discussion and Analysis

### Prospects

The mobile and IT industry has been the Group most original and on-going business area, it was during the financial year 2013/14 that the Group had changed name from Mobile Telecom Network (Holdings) Limited to its current trading name. The mobile and IT business however remains its commerce under the name of MTel Limited. This strategic move reflects the leading position of MTel Limited in its respective industry yet displaying the Group commencement in diversification for longer term.

The constant advance in technology will definitely benefit MTel Limited business direction and the Group will continue to provide maximum support. In the near term, entertainment, information and mobility will remain to be the largest trendsetter with a globalisation overview. This means increase in research and development to quickly build own products and platforms to reach all target audiences, is to be top agenda whilst keeping other existing business competence and relationship in application development and consultation services. It is believed the preparation now will become fruitful along with the technological improvement in new mass market products.

For hardware trading, ETC as a matured company in the industry will continue to build on the current relationship with suppliers and customers as well as looking for new opportunities to increase trading product varieties. Meanwhile, using the current strong hold of display and touch-screen panels trading, the business unit will seek for other applicable situation to increasing sales. It however must resume vigilant on the product designs in size, specifications and cost. With these in mind and the growing popularity of using the touch-screen technology, the Group is comfortable to maintain its exposure and optimistic on the general outlook of this industry segment. Internally, the Group will optimise the expenses to increase profitability of this unit.

The anonymous economical and political changes in the PRC real estate market means the Group will continue to monitor closely on the developing projects in Guangdong province. In the meantime, with a positive local sentiment and the steady tradition of the PRC government history, the Group stays positive on the projects progress. Nonetheless, a prudent push for earlier completion and minimising any expenses will benefit the Group as a whole.

Meanwhile, the Group will hold a neutral stance for any further investment opportunity in maintaining growth to maximise shareholders return of the shareholders.

### FINANCIAL REVIEW

#### Revenue and results

Revenue for the year ended 31 March 2014 increased by 84.8% from approximately HK\$531,611,000 for 2013 to approximately HK\$982,636,000 for 2014. The revenue was mainly contributed by the trading of electronic parts and components business.



## Management Discussion and Analysis

Loss attributable to owners of the Company for the year ended 31 March 2014 increased by 108.7% from approximately HK\$71,503,000 for 2013 to approximately HK\$149,206,000 for 2014. The loss per share was 8.79 HK cents (2013: 5.63 HK cents). The increase in loss was mainly attributable to (i) one-off acquisition-related costs of approximately HK\$2,242,000 for the acquisition of 70% of the issued share capital of Best Worldwide Corporation Limited (the “Acquisition”); (ii) the impairment loss of goodwill in relation to the Acquisition of approximately HK\$99,336,000; and (iii) the effective interest of approximately HK\$2,255,000 incurred on the convertible bonds issued by the Company to satisfy part of the consideration of the Acquisition.

### Impairment loss on investment in an associate

On 22 October 2013, the Group completed the Acquisition for a total consideration of HK\$110,687,500. The payment of the consideration had been satisfied partly by cash of HK\$25,000,000 and partly by the issue of convertible bonds in the principal amount of HK\$85,687,500. Best Worldwide Corporation Limited is an investment holding company and through its wholly-owned subsidiaries established in the PRC, indirectly holds 50% equity interest in an associate which was established in the PRC and is principally engaged in the property development in the PRC. The details of the Acquisition are set out in the Company’s announcements dated 30 May 2013 (the “First Announcement”), 31 May 2013 and 11 October 2013 and the Company’s circular dated 25 September 2013 (the “Circular”).

On 22 October 2013, before impairment testing, goodwill of approximately HK\$121,854,000 arisen from the Acquisition was included in the carrying amount of the investment in an associate. As disclosed in the Circular, the fair value of the convertible bonds as at the valuation date of 28 June 2013 was approximately HK\$85,687,000. The market price of shares of the Company has increased since the First Announcement and up to 22 October 2013 (being the date of completion of the Acquisition) (the “Completion Date”). The fair value of the convertible bonds of approximately HK\$185,023,000 was estimated by an independent professional valuer, which has increased as a result of the increase in the market price of shares of the Company, which in turn has resulted in a substantial amount of goodwill recorded in connection with the Acquisition. The impairment of goodwill in relation to the Acquisition is largely due to the increase in the fair value of the convertible bonds mentioned above. The goodwill arisen from the Acquisition has therefore been reduced to its estimated recoverable amount through recognition of an impairment loss against goodwill of approximately HK\$99,336,000 for the period from the Completion Date to 31 March 2014. The impairment of goodwill is non-cash and accounting adjustment which will not affect the working capital sufficiency of the Group.

### Segment Information

#### *Trading of electronic parts and components*

Revenue for the year ended 31 March 2014 increased by 90.0% from approximately HK\$494,595,000 for 2013 to approximately HK\$939,668,000 for 2014. The increase was mainly due to this business was acquired in September 2012, so that it only contributed half year’s revenue to the Group in 2013. Profit for the year increased by 21.4% from approximately HK\$6,685,000 for 2013 to approximately HK\$8,113,000 for 2014.

## Management Discussion and Analysis

### *Mobile data solution business*

Revenue for the year ended 31 March 2014 grew by 12.7% from approximately HK\$36,872,000 for 2013 to approximately HK\$41,557,000 for 2014, which was attributable to the growth in its overall customer base and the diversification into the mobile application development business. This segment recorded a profit of approximately HK\$472,000 (2013: loss of approximately HK\$6,386,000) for 2014. The improvement of result was mainly due to no impairment loss in respect of investment in an associate and amount due from the associate was recorded for 2014, while the impairment loss for 2013 was approximately HK\$4,155,000.

### *Property development*

No revenue was generated and it recorded a loss of approximately HK\$103,695,000 for 2014, an increase of 1248.1% from a year ago. The significant increase in loss was mainly due to the impairment loss in respect of investment in an associate.

### *Property investment*

Revenue for the year ended 31 March 2014 increased by 879.9% from approximately HK\$144,000 for 2013 to approximately HK\$1,411,000 for 2014. However, the segment turned from a profit of approximately HK\$1,879,000 for 2013 to a loss of approximately HK\$1,380,000 for 2014, which was mainly due to loss on change in fair value of the investment properties approximately HK\$1,300,000 for 2014 while a gain on change in fair value of approximately HK\$2,171,000 was recorded for 2013.

### **Liquidity and financial resources**

The Group financed its operations with the revenue generated from its operations, the net proceeds from placement and banking facilities provided by its bankers in Hong Kong. The Group had total outstanding borrowings of approximately HK\$281,931,000 as at 31 March 2014 (2013: approximately HK\$176,006,000).

48.8% (2013: 89.6%) of the borrowings are considered as current liabilities and repayable within one year, 37.1% (2013: 10.4%) are repayable in two years and the remaining (2013: Nil) are repayable in seven years. HK and US dollar denominated borrowings accounted for 58.9% (2013: 46.1%) and 41.1% (2013: 53.9%) of the total borrowings respectively.

47.4% (2013: 65.3%) of the borrowings are interest bearing bank loans on floating rate terms, the effective annual interest rates range from 2.25% to 5.00%; 14.2% (2013: Nil) are seven-year 5% coupon straight bonds due 2020; 29.9% (2013: Nil) are 4% convertible bonds due 2015 and 8.0% (2013: 28.0%) are non-interest convertible bonds; 0.3% (2013: 6.3%) of borrowings are interest bearing other loans on fixed rate terms and the remaining 0.2% (2013: 0.4%) are interest bearing finance lease obligation at fixed interest rate.

At 31 March 2014, the Group had cash reserves of approximately HK\$33,373,000 (2013: approximately HK\$15,821,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC.



## Management Discussion and Analysis

The gearing ratio as at 31 March 2014 was 162.8% (2013: 194.6%). The gearing ratio was derived by dividing the total borrowings including the bank and other loans, bonds, convertible bonds and finance lease payables of approximately HK\$281,931,000 (2013: approximately HK\$176,006,000) by the amount of shareholders' equity of approximately HK\$173,228,000 (2013: approximately HK\$90,426,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 127.9% (2013: 103.4%).

The management of the Company will continue to make good efforts to improve the liquidity condition. Measures will include but not limited to tightening of costs control, expansion of current businesses, the securing of additional loan facilities and/or raising funds from the capital market.

### FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly denominated in HK dollar, US dollar and Renminbi, the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk have been implemented.

### CAPITAL STRUCTURE

The capital of the Company comprises only ordinary shares. As at 31 March 2014, the total number of ordinary shares of the Company was 2,001,028,936 shares.

On 20 July 2013, the Company issued a circular, pursuant to which, the Company proposed (i) a capital reduction to reduce each of the paid-up capital of the Company from US\$0.01 to US\$0.001 per share by cancelling paid-up capital of US\$0.009 per share (the "Capital Reduction") and the credit arising from the Capital Reduction be applied towards the cancelling of the accumulated deficit of the Company; and (ii) a sub-division to sub-divide each of the authorised but unissued ordinary shares of the Company with a par value of US\$0.01 each into 10 unissued ordinary shares of the Company with a par value of US\$0.001 each (the "Sub-division"). On 28 February 2014, the Company announced that all the conditions precedent for the implementation of the Capital Reduction and Sub-division had been fulfilled and the Capital Reduction and Sub-division became effective on 28 February 2014 (after market close) (Hong Kong time).

Pursuant to the placing and subscription agreement dated 5 June 2013, 274,000,000 ordinary shares of the Company were issued and allotted on 18 June 2013 at a price of HK\$0.085 per share. Details of the transaction are set out in the Company's announcement dated 5 June 2013 and 18 June 2013.

Pursuant to the placing agreement dated 30 August 2013, 164,524,000 ordinary shares of the Company were issued and allotted on 18 October 2013 at a price of HK\$0.179 per share. Details of the transaction are set out in the Company's announcement dated 30 August 2013 and 18 October 2013.

4,000,000 new shares were issued and allotted during the year upon exercise of share options granted by the Company.

187,116,563 new shares were issued and allotted during the year as a result of the conversion of the convertible bonds. Share premium increased by approximately HK\$29,960,000 accordingly.

Save as disclosed above, there was no change in the capital structure of the Company during the year ended 31 March 2014.

## Management Discussion and Analysis

### SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant external investment plans for the year ended 31 March 2014. There was no plan authorised by the Board for any material investments or other additions of capital assets at the date of this report.

### MATERIAL ACQUISITIONS AND DISPOSALS

On 22 October 2013, the Group completed the Acquisition from Gold Horn Investments Limited for a total consideration of HK\$110,687,500. Convertible bonds in the principal amount of HK\$85,687,500 with a conversion price of HK\$0.098 per conversion share was issued by the Company to Gold Horn Investments Limited as part of the consideration and the remaining of HK\$25,000,000 had been satisfied by cash. Best Worldwide Corporation Limited is an investment holding company and through its wholly-owned subsidiaries established in the PRC, indirectly holds 50% equity interest in an associate which was established in the PRC and is principally engaged in the property development in the PRC. Details of the transaction were set out in the Company's announcements dated 30 May 2013, 31 May 2013 and 11 October 2013 and the Circular.

Save as disclosed, the Group did not make any material acquisitions or disposals during the year ended 31 March 2014.

### CHARGES ON THE GROUP'S ASSETS

As at 31 March 2014, the Group pledged the following assets to secure loans and bank loan facilities of the Group:

- (i) the investment properties with fair value of HK\$39,700,000 (2013: HK\$41,000,000);
- (ii) the leasehold properties with carrying amount of approximately HK\$4,826,000 (2013: approximately HK\$4,936,000); and
- (iii) bank deposits of approximately HK\$19,383,000 (2013: approximately HK\$16,636,000).

And, a leased motor vehicle with carrying amount of approximately HK\$516,000 (2013: approximately HK\$825,000) was charged to secure the Group's finance lease payables.



## Management Discussion and Analysis

### CONTINGENT LIABILITIES

ETC Technology Limited ("ETC"), a 75% owned subsidiary of the Group, has entered into a guarantee agreement with a bank providing a guarantee with respect to a mortgage loan granted by the bank to a related party of ETC since 2011, of which approximately HK\$2,654,000 have been outstanding as at 31 March 2014 (2013: approximately HK\$2,762,000). Under the guarantee agreement, ETC would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. As at 31 March 2014, no provision for ETC's obligation under the guarantee agreement has been made as the Directors considered that it was not probable that the repayment of the loan would be in default.

Except for the above, the Group did not have any significant contingent liabilities as at 31 March 2014 (2013: Nil).

### EMPLOYEE INFORMATION

As at 31 March 2014, the Group had an aggregate of 168 (2013: 136) employees of which 109 (2013: 100) were based in Hong Kong while the rest were located in the PRC. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK\$43,183,000 for the year ended 31 March 2014 (2013: approximately HK\$40,660,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

## Biographical Details of Directors and Senior Management

### DIRECTORS

#### Executive Directors

**Mr. So Loi Fat (“Mr. So”)**, aged 56, was newly appointed as an executive director and the chairman of the Company on 7 January 2014. Mr. So is responsible for formulating the overall business plan and the corporate strategies of the Group. Mr. So has over 30 years of experience in textile, mining and real estate development businesses in the PRC. Before his appointment as an executive director of the Company and the chairman of the Board, Mr. So was the general manager of a textile manufacturing company in the PRC and instrumental in promoting the company to become one of the well-known enterprises in Fujian Province, the PRC. In relation to Mr. So’s previous career history, he was the managing director of a company engaged in mining industry in the PRC where his responsibility was to oversee the development, layout and management of a goldmine and a coalmine located in Jiuquan district of Gansu Province, the PRC. In addition, Mr. So was also employed as the managing director of a company engaged in real estate development in the PRC and was responsible for overseeing the real estate projects in Beijing. Currently, Mr. So is a honorary life-chairman of the Association of Hong Kong Quanzhou Charity Promotion Limited and a honorary chairman of Chamber of Commerce of Fujian Gansu Province.

**Mr. Chan Wai Kwong, Peter (“Mr. Chan”)**, aged 61, has served on the Board since the listing of the Company in 2003 and was appointed as an executive director of the Company on 27 March 2003. Mr. Chan is also the compliance officer of the Group. Mr. Chan is responsible for overseeing and supervising the administration of the Group. Mr. Chan graduated with a Bachelor of Arts degree in social science from the University of Western Ontario, Canada in 1978. Mr. Chan also serves as an independent non-executive director of Century Ginwa Retail Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), stock code: 162).

**Mr. Choi Ho Yan (“Mr. Choi”)**, aged 38, was appointed as an executive director of the Company on 30 July 2010. Mr. Choi is responsible for the finance function and public relation of the Group. Mr. Choi graduated from the University of Hertfordshire, United Kingdom with a Bachelor of Accounting degree. Mr. Choi has over 14 years of experience in auditing, accounting, corporate finance and investor relations experience gained from his previous employment. Mr. Choi was an accountant at Ernst and Young from 1998 – 2004, overseeing audit work for projects related to initial public offerings of several companies, as well as other related work for listed companies. During his time as a chief financial officer for a company listed on the stock exchange of the Singapore Exchange Limited from 2004 – 2010, he oversaw the investor relations programme as well as the accounting and financial functions of that company. Mr. Choi also serves as an independent non-executive director of Time Watch Investments Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2033).

**Mr. So Haw, Herman (“Mr. So”)**, aged 31, was appointed as an executive director of the Company on 7 June 2011. Mr. So is responsible for the property investment and property development of the Group. Mr. So attained his Bachelor of Mechanical Engineering (with honours and IMechE accreditation) in University of London, United Kingdom and Master of Oceanography (with IMarEST accreditation) in University of Southampton, United Kingdom in 2004 and 2005, respectively. Since his graduation, he has worked in Geotek Ltd. as a geophysicist/engineer for around 11 months and later pursued his career in the banking business. He has worked in China Construction Bank (Asia) Corp. Ltd., Hong Kong for more than 3.5 years. During that period, he has served a host of multi-national clients, including but not limited to corporate financing, and banking services. Prior to joining the Company, he worked as an executive director and vice general manager in a private business group, overseeing real estate development projects, commercial and residential re-design projects, and merger and acquisition projects of that private business group.





## Biographical Details of Directors and Senior Management

### Independent non-executive Directors

**Mr. Chiu Wai Piu (“Mr. Chiu”)**, aged 66, was appointed as an independent non-executive director of the Company on 30 July 2010. Mr. Chiu is a very experienced and reputable journalist and has over 40 years of experience in journalism. He has been a reporter, an editor, a main news assignment editor, a local news assignment editor, a managing editor and an editorial writer in newspapers and a senior research officer in “One Country Two Systems Research Institute”. Mr. Chiu has been the founding treasurer and the chairman of the “Hong Kong Federation of Journalists”. In 2006, he was elected as the Vice Secretary – General and Treasurer of the “Hong Kong Federation of Journalists”; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognised. Mr. Chiu served as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited (now known as U-Home Group Holdings Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 2327) from September 2008 to September 2013. From September 2004 to November 2011, he served as an independent non-executive director of Xinhua News Media Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 309).

**Mr. Cheung Kwan Hung, Anthony (“Mr. Cheung”)**, aged 62, was appointed as an independent non-executive director of the Company on 18 August 2010. Mr. Cheung is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has 11 of years of experience in accounting, finance and investment banking specialising in equity/debt fund raising, mergers and acquisitions and corporate and debt restructuring. He was also an executive director of publicly listed companies undertaking corporate management, planning and strategies development functions. Currently, he is an independent non-executive director of NewOcean Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 342), Great Harvest Maeta Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3683) and PetroAsian Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 850).

**Mr. Heung Chee Hang, Eric (“Mr. Heung”)**, aged 46, was appointed as an independent non-executive director of the Company on 18 August 2010. Mr. Heung is a practicing solicitor in Hong Kong with current practice in general litigation and commercial matters. He graduated with a degree of Laws from the University of Leicester, England. Mr. Heung was admitted as a solicitor of the Supreme Court of Hong Kong in 1995. He is currently a partner of Tung, Ng, Tse & Heung, Solicitors. He currently serves as an independent non-executive director of Zhong Fa Zhan Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 475).





## Biographical Details of Directors and Senior Management

### SENIOR MANAGEMENT

**Mr. Wong Chun Wai (“Mr. Wong”)**, aged 40, is the chief executive officer of the Group. Mr. Wong joined the Group on 17 December 2012. Mr. Wong has 15 years of experience in the electronic industry. He joined a subsidiary of the Company in year 2001 and was responsible for product research and development and liaison with customers in respect of the product specifications. Mr. Wong also involved in formulating marketing strategies and handling sales operation. Mr. Wong is currently focusing on corporate financing and maintaining both suppliers and customers’ relationships in order to further promote and launch new products to the market network of the trading of electronics parts and components business. Mr. Wong holds a bachelor degree in Art of Computing from The Hong Kong Polytechnic University and a master degree in Business Administration from The University of Northern Iowa.

**Mr. Wong Ming Wai (“Mr. Wong”)**, aged 38, is the chief executive officer of MTel Limited. Mr. Wong joined the Group in November 2002. Mr. Wong is responsible for developing new business and revenue streams for the mobile data solution business. Mr. Wong has 17 years of experience in business development and marketing in mobile and I.T. industries. Mr. Wong holds a Bachelor of Mathematics degree from the University of Waterloo, Ontario, Canada.

**Mr. Tsang Yue Shun (“Mr. Tsang”)**, aged 37, is the chief operating officer of MTel Limited. Mr. Tsang joined the Group since its inception in November 2000. Mr. Tsang is responsible for overseeing the network department and the project-based business of the mobile data solution business. Mr. Tsang graduated with a bachelor degree in information technology from City University of Hong Kong in 2001 and further obtained his master degree in electronic commerce from the same university in 2007. Mr. Tsang joined the Group prior to the graduation of his first degree.

**Mr. Chau Ho Wai (“Mr. Chau”)**, aged 31, is the chief technical officer of MTel Limited. Mr. Chau has been managing and developing the corporate solutions business unit since he joined the Group in 2005 and managing the IT department since early 2009. Mr. Chau has over 10 years of experience in IT industry. Mr. Chau attended the Hong Kong Polytechnic University.



## Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 March 2014.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the development, provision and sale of mobile and internet communication telecommunications and other related services in Hong Kong and elsewhere in the Asia Pacific Region; and trading of electronic parts and components in relation to display modules and touch panel modules.

An analysis of the Group's performance by operating segments for the year ended 31 March 2014 is set out in note 9 to the financial statements.

Particulars of the Company's subsidiaries and associates as at 31 March 2014 are set out in notes 22 and 23 respectively to the financial statements.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 40 to 135.

The Directors do not recommend the payment of a dividend (2013: Nil).

### RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 40 to the financial statements.

### DISTRIBUTION RESERVES

No distribution reserves of the Company was recorded as at 31 March 2014. Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the articles of association of the Company, and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

### FIXED ASSETS

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 18 and 19 respectively to the financial statements.

### PRINCIPAL PROPERTIES

Details of the principal properties held for development and for investment purposes are set out on page 4 of the annual report.

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 39 to the financial statements.



## Report of the Directors

### CONVERTIBLE BONDS

Particulars of convertible bonds of the Group and the Company as at 31 March 2014 are set out in note 34 to the financial statements.

### WARRANTS

Particulars of warrants of the Group and the Company as at 31 March 2014 are set out in note 31 and 40c(vi) to the financial statements.

### BORROWINGS

Details of the Group's and the Company's borrowings as at 31 March 2014 are set out in note 33 to the financial statements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### FIVE YEAR FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the last five financial years is set out on page 136 of the annual report.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### PLACING OF SHARES

On 5 June 2013, the Company announced a placing up to 274,000,000 existing ordinary shares by a placing agent to not less than six independent placees on a best efforts basis and a subscription of up to 274,000,000 new ordinary shares in the Company by a subscriber, both at a price of HK\$0.085 per share. The net price for each placing/subscription share was approximately HK\$0.083. The closing price of the Company's share on 4 June 2013, being the last trading date immediately before the entering into the placing and subscription agreement was HK\$0.098. All 274,000,000 placing and subscription shares were placed and subscribed and the placement and subscription was completed on 18 June 2013.

Reasons for the placing and subscription were to raise capital for the Company and enlarge the equity and shareholder base of the Company. The net proceeds from the subscription were intended to be used as to HK\$20,000,000 for funding part of the consideration for the acquisition of Best Worldwide Corporation Limited and its subsidiaries and associate and the balance for general working capital of the Group. The net proceeds were used as intended.

## Report of the Directors

### PLACING OF SHARES *(Continued)*

On 30 August 2013, the Company announced a placing up to 164,528,000 new ordinary shares in the Company by a placing agent to not less than six independent placees on a best efforts basis at a price of HK\$0.179 per placing share. The net price for each placing share was approximately HK\$0.170. The closing price of the Company's share on 30 August 2013, being the last trading date immediately before the entering into the placing agreement was HK\$0.188. 164,524,000 placing shares were placed and the placement was completed on 18 October 2013.

Reasons for the placing were to raise capital for the Company and enlarge the equity and shareholder base of the Company and thereby increasing the liquidity of the shares of the Company as well as to strengthen the financial position of the Group. The net proceeds from the placing were intended to be used for general working capital of the Group and for any potential investment opportunities in the future. The net proceeds were used for general working capital of the Group.

### SHARE OPTIONS

#### Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 27 March 2003, pursuant to which certain Directors and participants have been granted options to subscribe for shares.

The Pre-IPO Share Option Scheme has expired on 27 March 2013. The unexercised options under the Pre-IPO Share Option Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the exercise periods.

Movements in the outstanding share options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2014 are set out below.

Name	Date of grant	Number of Share Options				Outstanding as at 31 March 2014	Approximate percentage of the issued share capital	Option period	Consi-deration for the grant of the option HK\$	Exercise price per share HK\$
		Outstanding as at 1 April 2013	Granted during the year	Exercised during the year	Lapsed during the year					
Other Participants										
Employees in aggregate (Note)	9 February 2007	12,565	–	–	–	12,565	0.001%	9 February 2007 – 8 February 2017	1.00	0.078 (Adjusted)
	12 February 2008	25,130	–	–	–	25,130	0.001%	12 February 2008 – 11 February 2018	1.00	0.152 (Adjusted)
Business Consultant										
Young Antony, Michael	27 March 2003	376,952	–	–	(376,952)	–	–	9 May 2003 – 8 May 2013	1.00	0.091 (Adjusted)
		414,647	–	–	(376,952)	37,695	0.002%			

*Note:* Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

# Report of the Directors

## SHARE OPTIONS (Continued)

### Share Option Scheme

#### (i) 2003 Share Option Scheme

The 2003 Share Option Scheme has been terminated on 25 March 2013. The unexercised options under the 2003 Share Option Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the exercise periods.

Movements in the outstanding share options granted under the 2003 Share Option Scheme during the year ended 31 March 2014 are set out below.

Name	Date of grant	Number of Share Options						Outstanding as at 31 March 2014	Approximate percentage of the issued share capital	Option period	Consi-deration for the grant of the option HK\$	Exer-cise price per share HK\$
		Outstanding as at 1 April 2013	Transferred from/(to) other category during the year	Granted during the year	Exercised during the year	Lapsed during the year						
Executive Directors												
Dr. Chan Chung (deceased) (Note 1)	29 June 2011	3,000,000	–	–	–	(3,000,000)	–	–	29 June 2011 – 28 June 2021	1.00	0.140	
Mr. Chan Wai Kwong, Peter	29 June 2011	3,000,000	–	–	–	–	3,000,000	0.150%	29 June 2011 – 28 June 2021	1.00	0.140	
Mr. Siu King Nin, Peter	29 June 2011	3,000,000	(3,000,000)	–	–	–	–	–	29 June 2011 – 28 June 2021	1.00	0.140	
Mr. Choi Ho Yan	29 June 2011	3,000,000	–	–	–	–	3,000,000	0.150%	29 June 2011 – 28 June 2021	1.00	0.140	
Mr. So Haw, Herman	29 June 2011	1,000,000	–	–	–	–	1,000,000	0.050%	29 June 2011 – 28 June 2021	1.00	0.140	
Independent non-executive Directors												
Mr. Chiu Wai Piu	29 June 2011	500,000	–	–	–	–	500,000	0.025%	29 June 2011 – 28 June 2021	1.00	0.140	
Mr. Cheung Kwan Hung, Anthony	29 June 2011	500,000	–	–	–	–	500,000	0.025%	29 June 2011 – 28 June 2021	1.00	0.140	
Mr. Heung Chee Hang, Eric	29 June 2011	500,000	–	–	–	–	500,000	0.025%	29 June 2011 – 28 June 2021	1.00	0.140	
Other Participants												
Employees in aggregate (Note 2)	17 February 2010	314,126	–	–	–	–	314,126	0.016%	17 February 2010 – 16 February 2020	1.00	0.107 (Adjusted)	
	29 June 2011	4,000,000	3,000,000	–	(3,000,000) (Note 3)	–	4,000,000	0.200%	29 June 2011 – 28 June 2021	1.00	0.140	
		18,814,126	–	–	(3,000,000)	(3,000,000)	12,814,126	0.641%				

#### Notes:

- According to the 2003 Share Option Scheme and following the demise of Dr. Chan Chung on 20 December 2012, the title to the relevant share options of the late Dr. Chan Chung would pass to his personal representative who is entitled to exercise the same during a period of 12 months following 20 December 2012. The relevant share option has been lapsed on 20 December 2013.
- Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).
- The weighted average closing price immediately before the dates on which the options were exercised was HK\$0.230.

## Report of the Directors

### SHARE OPTIONS *(Continued)*

#### Share Option Scheme *(Continued)*

##### *(ii) 2013 Share Option Scheme*

The Company adopted the 2013 Share Option Scheme on 25 March 2013, pursuant to which certain Directors and participants have been granted options to subscribe for shares.

Movements in the outstanding share options granted under the 2013 Share Option Scheme during the year ended 31 March 2014 are set out below.

Name	Date of grant	Number of Share Options					Outstanding as at 31 March 2014	Approximate percentage of the issued share capital	Option period	Consideration for the grant of the option <i>HK\$</i>	Exercise price per share <i>HK\$</i>
		Outstanding as at 1 April 2013	Transferred from/(to) other category during the year	Granted during the year	Exercised during the year	Lapsed during the year					
<b>Executive Directors</b>											
Mr. Chan Wai Kwong, Peter	28 March 2013	3,000,000	–	–	–	–	3,000,000	0.150%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. Siu King Nin, Peter	28 March 2013	3,000,000	(3,000,000)	–	–	–	–	–	28 March 2013 – 27 March 2023	1.00	0.150
Mr. Choi Ho Yan	28 March 2013	3,000,000	–	–	–	–	3,000,000	0.150%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. So Haw, Herman	28 March 2013	3,000,000	–	–	–	–	3,000,000	0.150%	28 March 2013 – 27 March 2023	1.00	0.150
<b>Independent non-executive Directors</b>											
Mr. Chiu Wai Piu	28 March 2013	1,150,000	–	–	–	–	1,150,000	0.057%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. Cheung Kwan Hung, Anthony	28 March 2013	1,150,000	–	–	–	–	1,150,000	0.057%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. Heung Chee Hang, Eric	28 March 2013	1,150,000	–	–	–	–	1,150,000	0.057%	28 March 2013 – 27 March 2023	1.00	0.150
<b>Chief Executive</b>											
Mr. Wong Chun Wai	28 March 2013	3,000,000	–	–	–	–	3,000,000	0.150%	28 March 2013 – 27 March 2023	1.00	0.150
<b>Other Participants</b>											
Employees in aggregate <i>(Note 1)</i>	28 March 2013	45,000,000	3,000,000	–	(1,000,000) <i>(Note 2)</i>	–	47,000,000	2.349%	28 March 2013 – 27 March 2023	1.00	0.150
Other eligible participants	28 March 2013	35,000,000	–	–	–	–	35,000,000	1.749%	28 March 2013 – 27 March 2023	1.00	0.150
		98,450,000	–	–	(1,000,000)	–	97,450,000	4.869%			

#### Notes:

- Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).
- Exercise date was 13 January 2014. At the date before the options were exercised, the market value per share was HK\$0.214.

## Report of the Directors

### SHARE OPTIONS *(Continued)*

#### Share Option Scheme *(Continued)*

The following is a summary of the principal terms of the 2013 Share Option Scheme:

**(a) Purpose**

The purpose of the 2013 Share Option Scheme is to enable the Company to grant options to the participants in order to recognise and motivate the contribution of the participants to the Company and/or its subsidiaries.

**(b) Participants**

The participants of the 2013 Share Option Scheme include full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any supplier, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

**(c) Maximum number of shares available for issue**

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the shares in issue as at the date of the adoption of the 2013 Share Option Scheme (the "Scheme Mandate Limit"), unless shareholders' approval has been obtained in general meeting to refresh the Scheme Mandate Limit. Options lapsed in accordance with the terms of the 2013 Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

As at the date of the annual report, a total of 38,688,837 shares which represented 1.93% of the issued share capital of the Company shall be the maximum number of shares available for issue at the date of the annual report.

**(d) Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of the options granted to each participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant.

**(e) Grant and acceptance of options**

An offer of the grant of an option shall be made to participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the date of the adoption of the 2013 Share Option Scheme or the termination of the 2013 Share Option Scheme. The amount payable on acceptance of an option is HK\$1.00.

## Report of the Directors

### SHARE OPTIONS *(Continued)*

#### Share Option Scheme *(Continued)*

##### *(f) Time of exercise of options*

The period under which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the 2013 Share Option Scheme.

##### *(g) Price of shares*

The exercise price for shares under the 2013 Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

##### *(h) Remaining life of the 2013 Share Option Scheme*

The 2013 Share Option Scheme shall be valid and effective for a period of 10 years ending on 24 March 2023.

### DIRECTORS

The Directors during the year and up to the date of this report were:

#### Executive Directors

Mr. So Loi Fat (*Chairman*) (appointed on 7 January 2014)  
Mr. Chan Wai Kwong, Peter  
Mr. Siu King Nin, Peter (resigned on 28 June 2013)  
Mr. Choi Ho Yan  
Mr. So Haw, Herman

#### Independent non-executive Directors

Mr. Chiu Wai Piu  
Mr. Cheung Kwan Hung, Anthony  
Mr. Heung Chee Hang, Eric

In accordance with Article 86(3) of the Company's articles of association, Mr. So Loi Fat will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offers himself for re-election.





## Report of the Directors

### **DIRECTORS** *(Continued)*

In accordance with Article 87 of the Company's articles of association, Mr. Chan Wai Kwong, Peter and Mr. Cheung Kwan Hung, Anthony will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Independent non-executive Directors were appointed for an initial term of 2 years. The term of appointment of Mr. Chiu Wai Piu will expire on 29 July 2014 while Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric will expire on 17 August 2014.

### **Emoluments of the Directors and the five highest paid individuals**

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in note 13 to the financial statements.

The emoluments of the Directors are subject to review by the Remuneration Committee. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions.

The Company has adopted share option scheme as an incentive to Directors and eligible employees, details of the share option scheme are set out in the Share Options section above and in note 41 to the financial statements.

### **DIRECTORS' SERVICE CONTRACTS**

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

The biographical details of Directors and senior management at the date of this report are set out in the Biographical Details of Directors and Senior Management section on pages 14 to 16 of this report.

## Report of the Directors

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

As at 31 March 2014, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

#### Aggregate long positions in the shares and underlying shares of the Company

Name of Director/ chief executive	Capacity	Nature of interest	Number of shares held	Number of shares issuable under share options granted (Note 1)	Derivatives (number of underlying shares)	Total	Approximate percentage of the issued share capital
<b>Directors:</b>							
Mr. Chan Wai Kwong, Peter	Beneficial owner	Personal interest	216,072	6,000,000	–	6,216,072	0.31%
Mr. Choi Ho Yan	Beneficial owner	Personal interest	–	6,000,000	–	6,000,000	0.30%
Mr. So Haw, Herman	Beneficial owner	Personal interest	–	4,000,000	–	4,000,000	0.20%
Mr. Chiu Wai Piu	Beneficial owner	Personal interest	–	1,650,000	–	1,650,000	0.08%
Mr. Cheung Kwan Hung, Anthony	Beneficial owner	Personal interest	–	1,650,000	–	1,650,000	0.08%
Mr. Heung Chee Hang, Eric	Beneficial owner	Personal interest	–	1,650,000	–	1,650,000	0.08%
<b>Chief executive:</b>							
Mr. Wong Chun Wai	Beneficial owner	Personal interest	–	3,000,000	18,720,000 (Note 2)	21,720,000	1.09%

#### Notes:

- Details are set out in the Share Options section above. All of the share options are physically settled equity derivatives
- All interests in underlying shares are interests in convertible bonds of the Company which may be converted into 9,360,000 shares at a conversion price of HK\$0.25 per conversion share during the period from 10 April 2013 to 9 October 2015 and interests in convertible bonds of the Company which may be converted into 9,360,000 shares at a conversion price of HK\$0.25 per conversion share during the period from 10 October 2013 to 9 October 2015.

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

#### Aggregate long positions in the shares and underlying shares of the Company (Continued)

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2014, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

#### Aggregate long positions in the shares and underlying shares of the Company

Name of substantial shareholders	Capacity	Nature of interest	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the issued share capital
Mr. Poon Sum	Beneficial owner	Personal interest (Note 1)	–	74,000,000	966,762,244	48.31%
	Founder of a discretionary trust	Other interest (Note 2 & 3)	18,400,000	874,362,244		
BNP Paribas Jersey Trust Corporation Limited ("BNP Paribas Jersey")	Trustee	Other interest (Note 2 & 3)	18,400,000	874,362,244	892,762,244	44.62%
Red Tiles Limited ("Red Tiles")	Interest in controlled corporation	Corporate interest (Note 2 & 3)	18,400,000	874,362,244	897,762,244	44.62%
Time Concord Limited ("Time Concord")	Interest in controlled corporation	Corporate interest (Note 2 & 3)	18,400,000	874,362,244	897,762,244	44.62%
Gold Horn Investments Limited ("Gold Horn")	Beneficial owner	Corporate interest (Note 3)	–	874,362,244	874,362,244	43.70%
China Oil Resources Group Limited ("China Oil")	Beneficial owner	Corporate interest (Note 4)	355,571,722	–	355,571,722	17.77%
PetroAsian Energy Holdings Limited ("PetroAsian Energy")	Interest in controlled corporation	Corporate interest (Note 4)	355,571,722	–	355,571,722	17.77%

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

#### Aggregate long positions in the shares and underlying shares of the Company *(Continued)*

Name of substantial shareholders	Capacity	Nature of interest	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the issued share capital
Vodatel Information Limited	Beneficial owner	Corporate interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
VDT Mobile Holdings Limited	Interest in controlled corporation	Corporate interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
Vodatal Holdings Limited	Interest in controlled corporation	Corporate interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
Vodatel Networks Holdings Limited	Interest in controlled corporation	Corporate interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
Eve Resources Limited	Interest in controlled corporation	Corporate interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
Ocean Hope Holdings Limited	Interest in controlled corporation	Corporate interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
HSBC International Trustee Limited	Trustee	Other interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
Dos Santos Jose Manuel	Founder of a discretionary trust	Other interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
Lei Hon Kin	Interest in spouse's interest	Other interest <i>(Note 5)</i>	115,419,392	–	115,419,392	5.77%
Mr. Poon Sau Tin	Beneficial owner	Personal interest <i>(Note 6)</i>	–	89,337,423	107,737,423	5.38%
	Founder of a discretionary trust	Other interest <i>(Note 2)</i>	18,400,000	–		

#### Notes:

- This represents the new ordinary shares to be issued upon the exercise of warrants by Mr. Poon Sum with principal amount of HK\$11,100,000 at an adjusted exercise price of HK\$0.150 per share.
- The 18,400,000 shares are held by Ever Source Enterprises Limited. The issued share capital of Ever Source Enterprises Limited is beneficially owned as to 50% by Time Concord which is a direct and wholly owned subsidiary of Red Tiles, a direct and wholly owned subsidiary of BNP Paribas Jersey and Mr. Poon Sum is a founder of the discretionary trust where BNP Paribas Jersey is the trustee, and as to 50% by Guidance Investments Limited which is indirectly owned by a discretionary trust of which Mr. Poon Sau Tin is a founder of the discretionary trust.
- All underlying shares represent the new ordinary shares to be issued upon conversion of convertible bonds by Gold Horn with principal amount of HK\$85,687,500 at an initial conversion price of HK\$0.098 per conversion share. Gold Horn is a direct and wholly owned subsidiary of Time Concord which is a direct and wholly owned subsidiary of Red Tiles, a direct and wholly owned subsidiary of BNP Paribas Jersey. Mr. Poon Sum is a founder of the discretionary trust where BNP Paribas Jersey is the trustee.

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

#### Aggregate long positions in the shares and underlying shares of the Company *(Continued)*

*Notes: (Continued)*

4. China Oil is wholly and beneficially owned by PetroAsian Energy. PetroAsian Energy is a company incorporated in the Cayman Islands whose shares are listed on the Main Board (Stock Code: 850).
5. Vodatel Information Limited is a direct and wholly owned subsidiary of VDT Mobile Holdings Limited which is a direct and wholly owned subsidiary of Vodatel Holdings Limited, a direct and wholly owned subsidiary of Vodatel Networks Holdings Limited ("Vodatel"). Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033). Eve Resources Limited, a wholly owned subsidiary of Ocean Hope Holdings Limited, is interested in 49.12% of the equity interests of Vodatel. Ocean Hope Holdings Limited is a wholly owned subsidiary of HSBC International Trustee Limited.  
  
Dos Santos Jose Manuel is a founder of the discretionary trust where HSBC International Trustee Limited is the trustee. Lei Hon Kin is a spouse of Dos Santos Jose Manuel.
6. These underlying shares represent the new ordinary shares to be issued upon conversion of convertible bonds by Mr. Poon Sau Tin with principal amount of HK\$2,500,000 at an adjusted conversion price of HK\$0.163 per conversion share and the exercise of warrants by Mr. Poon Sau Tin with principal amount of HK\$11,100,000 at an adjusted exercise price of HK\$0.150 per share.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 March 2014.

#### CHANGE OF COMPANY NAME

In view of benefiting the Company's future business development, the Board considered that a change of company name would more accurately reflect the principal activities of the Group and provide the Company with a fresh corporate image and identity. Therefore, pursuant to a special resolution passed by the shareholders at the extraordinary general meeting held on 12 August 2013, the Company had changed its name from "Mobile Telecom Network (Holdings) Limited" to "Gold Tat Group International Limited 金達集團國際有限公司" with effect from 13 August 2013.

In connection with the change of company name, the logo of the Company has been changed accordingly. The stock short names for trading in the shares of the Company on the Stock Exchange has been changed from "M TEL" to "GOLD TAT GP" in English and from "流動電訊" to "金達集團國際" in Chinese, with effect from 21 October 2013. The stock code of the Company remains unchanged as "8266".

The website of the Company has been changed from "www.mtelnet.com" to "www.goldtatgroup.com", with effect from 21 October 2013.

Details are set out in the announcement of the Company dated 11 October 2013.

## Report of the Directors

### MANAGEMENT CONTRACTS

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

### MAJOR SUPPLIERS AND CUSTOMERS

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

#### Purchases

– the largest supplier	54.2%
– five largest suppliers in aggregate	96.7%

#### Sales

– the largest customer	37.0%
– five largest customers in aggregate	53.4%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

### CONNECTED TRANSACTIONS

The transaction in relation to the acquisition of 70% of the issued share capital of Best Worldwide Corporation Limited as described in note 42(a) to the financial statements fall under the definition of connected transaction under the GEM Listing Rules.

On 22 October 2013, the Group acquired 70% of the issued share capital of Best Worldwide Corporation Limited from Gold Horn Investments Limited. Gold Horn Investments Limited is a company controlled by Mr. Poon Sum who is a substantial shareholder of PetroAsian Energy Holdings Limited and China Oil Resources Group Limited, a wholly owned subsidiary of PetroAsian Energy Holdings Limited is a substantial shareholder of the Company.

Save as disclosed above, there were no other transactions to be disclosed as connected transactions and the related party transactions as disclosed in note 46 to the financial statements did not constitute connected transactions.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at 23 June 2014.

### CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 31 to 37 of this report.



## Report of the Directors

### DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

### EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 47 to the financial statements.

### AUDITORS

RSM Nelson Wheeler was first appointed as auditor of the Company on 30 April 2012 upon the resignation of Ting Ho Kwan & Chan.

The financial statements for the year ended 31 March 2014 have been audited by RSM Nelson Wheeler who retire and, being eligible, offers themselves for re-appointment. A resolution for re-appointment of RSM Nelson Wheeler as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Choi Ho Yan**  
*Executive Director*

Hong Kong, 23 June 2014



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices enhancing greater transparency and quality of disclosure as well as more effective internal control.

During the year ended 31 March 2014, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules except for the deviations from code provisions A.2.1 and A.6.7 which are explained in the relevant sections below.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions of the Company. The Company has made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2014.

## BOARD OF DIRECTORS

The board of Directors (the "Board") of the Company currently comprises a total of seven Directors, with four executive Directors namely Mr. So Loi Fat (as Chairman), Mr. Chan Wai Kwong, Peter, Mr. Choi Ho Yan and Mr. So Haw, Herman and three independent non-executive Directors namely Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric. A list containing the names of the Directors and their roles and functions is published on the Company's website and the GEM website at [www.hkgem.com](http://www.hkgem.com). To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationship between the members of the Board.

The Company complies at all times during the year under review with the minimum requirements under the Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules respectively relating to the appointment of at least three independent non-executive Directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise and the independent non-executive Directors represent at least one-third of the Board. Their biographies are set out in the Biographical Details of Directors and Senior Management section on pages 14 to 16 of this report.

The Board is collectively responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the notice of board meeting. Matters requiring the Board's approval include review of overall policies, corporate plan of the Company, investment plans which would involve significant risks for the Company, major organisation changes, significant sales, transfers, or other dispositions of property or assets, approval of the annual report, interim report, quarterly report and approval of interim dividend and recommendation of the final dividend, other matters relating to the Company's business which in the judgment of the executive Directors are of such significance as to merit the Board's consideration.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 5.09 of the GEM listing Rules and are independent in accordance with terms of the guidelines.



# Corporate Governance Report

Seventeen Board meetings and three general meetings were held during the year ended 31 March 2014. The attendance record of each Director is as follows:

Name of Director	Board	Number of meetings attended/held	
		2013 Annual General Meeting	Extraordinary General Meetings held on 12 August 2013 and 11 October 2013
<i>Executive Directors</i>			
Mr. So Loi Fat ( <i>Chairman</i> ) ( <i>Note 1</i> )	1/1	N/A	N/A
Mr. Chan Wai Kwong, Peter	17/17	1/1	1/2
Mr. Siu King Nin, Peter ( <i>Note 2</i> )	3/5	N/A	N/A
Mr. Choi Ho Yan	17/17	1/1	2/2
Mr. So Haw, Herman	17/17	1/1	1/2
<i>Independent non-executive Directors</i>			
Mr. Chiu Wai Piu	16/17	1/1	1/2
Mr. Cheung Kwan Hung, Anthony	16/17	1/1	1/2
Mr. Heung Chee Hang, Eric	15/17	1/1	1/2

*Note:*

1. Mr. So Loi Fat was appointed as an executive Director and the chairman of the Board, both with effect from 7 January 2014.
2. Mr. Siu King Nin, Peter resigned as an executive Director with effect from 28 June 2013.

Under the code provision A.6.7, independent non-executive Directors should attend general meetings of the Company. All independent non-executive Directors were unable to attend the extraordinary general meetings of the Company held on 11 October 2013 due to their other business engagements.

All Directors have been provided with monthly updates by the Group's management, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the GEM Listing Rules.

## DIRECTORS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the Directors' and Officers' liabilities in respect of potential legal actions against the Directors and officers of the Company. Such Directors' and Officers' liability insurance was reviewed and renewed annually. Throughout the year ended 31 March 2014, no claims under the insurance policy were made.



# Corporate Governance Report

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. The company secretary of the Company regularly circulates details of training courses which may be of interest to Directors.

Training was provided for Mr. So Loi Fat upon his joining the Board in January 2014. The training covers an overview of directors' responsibilities, a briefing on the Group's culture and business as well as other key governance issues. During the year, all Directors have received regular updates on the Company's business and written materials describing changes to the GEM Listing Rules and other relevant rules and regulations. All Directors have been required to provide the Company with their training records for the year ended 31 March 2014. All Directors have participated in appropriate continuous professional development activities during the year under review.

## CHAIRMAN AND CHIEF EXECUTIVE

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Group's business.

Under the code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. At present, Mr. Wong Chun Wai is the chief executive officer of the Company. The Company appointed Mr. So Loi Fat as the chairman of the Board in January 2014. With the appointment of the chairman of the Board, the roles of chairman and chief executive are separated.

## BOARD COMMITTEES

The Board has established the following committees with defined terms of reference.

### Nomination Committee

The Nomination Committee was established on 30 March 2012. It currently consists of three independent non-executive Directors namely Mr. Chiu Wai Piu (as Chairman), Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric and one executive Director namely Mr. So Haw, Herman.

The Nomination Committee is mainly responsible for reviewing the structure, the size and composition of the Board and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and make recommendations to the Board in this regard; and assessing the independence of independent non-executive Directors.

## Corporate Governance Report

During the year ended 31 March 2014, two Nomination Committee meetings were held. One was held to assess the annual confirmation of independence received from each of the independent non-executive Directors, every Nomination Committee member has abstained from assessing his own independence; and the other one was held to consider and recommend to the Board for approval the appointment of Mr. So Loi Fat as executive Director. The attendance of members at the Nomination Committee meeting is set out below:

Name of Nomination Committee member	Number of meetings attended/held
Mr. Chiu Wai Piu ( <i>Chairman</i> )	2/2
Mr. Cheung Kwan Hung, Anthony	2/2
Mr. Heung Chee Hang, Eric	2/2
Mr. So Haw, Herman	2/2

### Remuneration Committee

The Remuneration Committee was established in May 2005. It currently consists of three independent non-executive Directors namely Mr. Cheung Kwan Hung, Anthony (as Chairman), Mr. Chiu Wai Piu and Mr. Heung Chee Hang, Eric.

The Remuneration Committee is mainly responsible for reviewing the management's remuneration proposal, and making recommendations to the Board on remuneration policy of the Company and remuneration packages of Directors and senior management.

During the year ended 31 March 2014, two Remuneration Committee meetings were held. The attendance of members at the Remuneration Committee meetings is set out below:

Name of Remuneration Committee member	Number of meetings attended/held
Mr. Cheung Kwan Hung, Anthony ( <i>Chairman</i> )	2/2
Mr. Chiu Wai Piu	2/2
Mr. Heung Chee Hang, Eric	2/2

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration package of individual executive Directors and senior management and make recommendations to the Board.

During the year under review, work performed by the Remuneration Committee included (i) reviewing and approving the remuneration packages of the Directors and senior management and (ii) reviewing on the policy and structure of the remuneration package of the Directors and senior management.

Details of the remuneration of each of the Directors for the year under review are set out in note 13 to the financial statements.

## Corporate Governance Report

### Audit Committee

The Audit Committee was established on 30 March 2002. It currently consists of three independent non-executive Directors namely Mr. Cheung Kwan Hung, Anthony (as Chairman), Mr. Chiu Wai Piu and Mr. Heung Chee Hang, Eric.

The audit committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing and monitoring the external auditor's independence; reviewing the quarterly reports, interim report and annual report and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.

During the year ended 31 March 2014, four Audit Committee meetings were held, two of which were held with the external auditor. The attendance of members at the Audit Committee meetings is set out below:

Name of Audit Committee member	Number of meetings attended/held
Mr. Cheung Kwan Hung, Anthony ( <i>Chairman</i> )	4/4
Mr. Chiu Wai Piu	4/4
Mr. Heung Chee Hang, Eric	3/4

The following is a summary of work performed by the Audit Committee during the year ended 31 March 2014:

- (i) review of the annual report and the annual results announcement for the year ended 31 March 2013, with a recommendation to the Board for approval;
- (ii) review and approval of RSM Nelson Wheeler's confirmation of independence, its report and the management letter for the year ended 31 March 2013, with a recommendation to the Board for the re-appointment of RSM Nelson Wheeler at the 2013 annual general meeting;
- (iii) review of the internal control report and consideration of the internal audit workplan;
- (iv) review of the quarterly report and the quarterly results announcement for the three months ended 30 June 2013, with a recommendation to the Board for approval;
- (v) review of the interim report and the interim results announcement for the six months ended 30 September 2013, with a recommendation to the Board for approval;
- (vi) review of the quarterly report and the quarterly results announcement for the nine months ended 31 December 2013, with a recommendation to the Board for approval;
- (vii) discuss with the external auditor the audit planning work (including the nature and scope of the audit and reporting obligations) in respect of the audit of the 2014 annual results of the Group, and approval of its audit fees.

Prior to the commencement of the audit of the Group's 2014 financial statements, the Audit Committee received written confirmation from the external auditor of its independence.

# Corporate Governance Report

## AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the year ended 31 March 2014 is presented as follows:

	<b>Fees paid/payable</b> <i>HK\$</i>
Statutory audit services	1,100,000
Non-statutory audit services	715,888

The non-statutory audit services included the tax services and the special audit on the acquisition of subsidiaries during the year.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledged its responsibility for preparing the financial statements of the Group. The Directors ensured in preparing of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement by the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

## INTERNAL CONTROL

During the year ended 31 March 2014, the internal auditor conducted selective reviews of the adequacy and effectiveness of the Group's system of internal controls over financial, operational, compliance controls and risk management functions. The results were assessed by the internal auditor and reported to the Audit Committee, which then reviewed and reported the same to the Board.

## COMPANY SECRETARY

The company secretary of the Company is Ms. Chang Kam Lai, who was appointed by the Board on 12 August 2011. Mr. Chang Kam Lai is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

During the year ended 31 March 2014, Ms. Chang Kam Lai undertook over 15 hours of professional training to update his skills and knowledge.



# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Procedures to convene an extraordinary general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may request the Board to convene an extraordinary general meeting pursuant to the article 58 of the articles of association of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s) and deposited at the registered office of the Company for the attention of the company secretary of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a meeting, but such meeting shall be held within two months after the deposit of requisition.

### Procedures by which enquiries may be put to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Other shareholders' enquiries can be directed in writing with contact details (including name, address, telephone number and email address) to the Company's principal place of business in Hong Kong.

### Procedures for putting forward proposals at a general meeting

Proposals shall be directed in writing with contact details (including name, address, telephone number and email address) to the Company's principal place of business in Hong Kong.

The Board will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

## INVESTORS RELATIONS

The Company's website offers communication channel between the Company and its shareholders and investors. Apart from disclosure of all necessary information to the shareholders in compliance with the GEM Listing Rules, news update of Company's business development and operation are available on the Company's website.

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2014, there were no changes to the memorandum and articles of association of the Company. An up to date consolidated version of the memorandum and articles of association of the Company is available on the website of the Company and the GEM.

## Independent Auditor's Report



29th Floor  
Caroline Centre  
Lee Gardens Two  
28 Yun Ping Road  
Hong Kong

**TO THE SHAREHOLDERS OF GOLD TAT GROUP INTERNATIONAL LIMITED  
(FORMERLY KNOWN AS MOBILE TELECOM NETWORK (HOLDINGS) LIMITED)**  
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Gold Tat Group International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 40 to 135, which comprise the consolidated and Company statements 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.

## Independent Auditor's Report

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 Company and 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.

**RSM Nelson Wheeler**  
*Certified Public Accountants*

Hong Kong, 23 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	982,636	531,611
Cost of inventories sold		(899,361)	(471,690)
Other net income	8	2,045	7,547
Telecom operators and content providers costs		(10,061)	(9,599)
Employment costs		(33,570)	(30,763)
Research and development expenses		(12,266)	(11,348)
Depreciation and amortisation		(1,678)	(1,219)
Transportation expenses		(4,321)	(2,325)
Other operating expenses		(59,282)	(43,089)
<b>Loss from operations</b>		<b>(35,858)</b>	<b>(30,875)</b>
Finance costs	10	(12,708)	(6,028)
Impairment losses on investments in associates and amounts due from associates	23	(99,336)	(27,671)
Share of losses of associates		(108)	(4,168)
<b>Loss before tax</b>		<b>(148,010)</b>	<b>(68,742)</b>
Income tax expense	11	(1,447)	(1,434)
<b>Loss for the year</b>	12	<b>(149,457)</b>	<b>(70,176)</b>
<b>Attributable to:</b>			
Owners of the Company		(149,206)	(71,503)
Non-controlling interests		(251)	1,327
		<b>(149,457)</b>	<b>(70,176)</b>
<b>Loss per share (HK cents)</b>	16		
Basic		(8.79)	(5.63)
Diluted		N/A	N/A

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Loss for the year	12	(149,457)	(70,176)
<b>Other comprehensive income:</b> <i>Items that may be reclassified to profit or loss:</i> Exchange differences on translating foreign operations		(77)	126
<b>Other comprehensive income for the year, net of tax</b>	17	(77)	126
<b>Total comprehensive income for the year</b>		(149,534)	(70,050)
<b>Attributable to:</b> Owners of the Company Non-controlling interests		(149,314) (220)	(71,433) 1,383
		(149,534)	(70,050)

# Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	12,455	7,833
Investment properties	19	39,700	41,000
Goodwill	20	24,911	24,911
Intangible assets	21	62	128
Investments in associates	23	162,889	20,519
Prepayments for property, plant and equipment		–	3,941
		<b>240,017</b>	<b>98,332</b>
<b>Current assets</b>			
Inventories	24	42,496	63,518
Trade, bills and other receivables, deposits and prepayments	25	150,622	144,985
Due from an associate	23	45,680	–
Properties under development	26	60,660	60,320
Derivative financial assets	27	–	13,350
Put Options of convertible bonds	34	3,885	3,235
Mandatory Conversion Options of convertible bonds	34	940	378
Pledged bank deposits	28	19,383	16,636
Bank and cash balances	28	33,373	15,821
		<b>357,039</b>	<b>318,243</b>
<b>Current liabilities</b>			
Trade and other payables and receipt in advance	29	116,923	128,154
Due to a non-controlling shareholder	30	844	–
Due to an associate	23	14,157	7,415
Call Options of convertible bonds	34	30	569
Bank and other loans	33	134,447	125,894
Promissory notes	32	–	5,200
Liability components of convertible bonds	34	2,472	30,493
Finance lease payables	35	479	756
Warrants	31	9,348	7,812
Current tax liabilities		447	1,380
		<b>279,147</b>	<b>307,673</b>
<b>Net current assets</b>		<b>77,892</b>	<b>10,570</b>
<b>Total assets less current liabilities</b>		<b>317,909</b>	<b>108,902</b>

# Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current liabilities</b>			
Liability components of convertible bonds	34	104,503	18,294
Long term bonds	36	40,000	–
Deferred tax liabilities	37	178	182
		<b>144,681</b>	<b>18,476</b>
<b>NET ASSETS</b>		<b>173,228</b>	<b>90,426</b>
<b>Capital and reserves</b>			
Share capital	39	15,659	107,019
Reserves	40(a)	98,225	(38,008)
Equity attributable to owners of the Company		<b>113,884</b>	<b>69,011</b>
Non-controlling interests		<b>59,344</b>	<b>21,415</b>
<b>TOTAL EQUITY</b>		<b>173,228</b>	<b>90,426</b>

Approved by the Board of Directors on 23 June 2014.

**Choi Ho Yan**  
Director

**Chan Wai Kwong, Peter**  
Director

# Statement of Financial Position

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	22	200,040	95,271
Prepayments for property, plant and equipment		–	3,080
		<b>200,040</b>	<b>98,351</b>
<b>Current assets</b>			
Due from subsidiaries	22	30,256	47,541
Prepayments and other receivables	25	5,155	4,362
Put Options of convertible bonds	34	3,885	3,235
Mandatory Conversion Options of convertible bonds	34	940	378
Derivative financial assets	27	–	13,350
Bank and cash balances	28	13	19
		<b>40,249</b>	<b>68,885</b>
<b>Current liabilities</b>			
Due to subsidiaries	22	1,028	1,574
Other payables	29	3,290	3,432
Call Options of convertibles bonds	34	30	569
Bank and other loans	33	–	11,000
Promissory notes	32	–	5,200
Liability components of convertible bonds	34	2,472	30,493
Warrants	31	9,348	7,812
		<b>16,168</b>	<b>60,080</b>
<b>Net current assets</b>		<b>24,081</b>	<b>8,805</b>
<b>Total assets less current liabilities</b>		<b>224,121</b>	<b>107,156</b>
<b>Non-current liabilities</b>			
Liability components of convertible bonds	34	104,503	18,294
Long term bonds	36	40,000	–
		<b>144,503</b>	<b>18,294</b>
<b>NET ASSETS</b>		<b>79,618</b>	<b>88,862</b>
<b>Capital and reserves</b>			
Share capital	39	15,659	107,019
Reserves	40(b)	63,959	(18,157)
<b>TOTAL EQUITY</b>		<b>79,618</b>	<b>88,862</b>

Approved by the Board of Directors on 23 June 2014.

**Choi Ho Yan**  
Director

**Chan Wai Kwong, Peter**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payments reserve HK\$'000	Warrant reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 April 2012	91,946	58,499	16,375	2,943	1,131	1,213	7,400	17,056	(97,974)	98,589	18,306	116,895
Total comprehensive income for the year	-	-	-	-	70	-	-	-	(71,503)	(71,433)	1,383	(70,050)
Issue of convertible bonds on acquisition of a subsidiary	-	-	-	-	-	-	-	7,636	-	7,636	-	7,636
Transactions costs attributable to issue of new shares	-	(327)	-	-	-	-	-	-	-	(327)	-	(327)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	1,726	1,726
Shares issued upon conversion of convertible bonds	5,379	10,570	-	-	-	-	-	(7,700)	-	8,249	-	8,249
Recognition of share-based payments	-	-	-	-	-	7,033	-	-	-	7,033	-	7,033
Shares issued upon placement	9,694	9,570	-	-	-	-	-	-	-	19,264	-	19,264
Changes in equity for the year	15,073	19,813	-	-	70	7,033	-	(64)	(71,503)	(29,578)	3,109	(26,469)
At 31 March 2013	107,019	78,312	16,375	2,943	1,201	8,246	7,400	16,992	(169,477)	69,011	21,415	90,426
At 1 April 2013	107,019	78,312	16,375	2,943	1,201	8,246	7,400	16,992	(169,477)	69,011	21,415	90,426
Total comprehensive income for the year	-	-	-	-	(108)	-	-	-	(149,206)	(149,314)	(220)	(149,534)
Issue of convertible bonds on acquisition of subsidiaries	-	-	-	-	-	-	-	110,957	-	110,957	-	110,957
Shares issued upon conversion of convertible bonds	8,566	29,960	-	-	-	-	-	(8,647)	-	29,879	-	29,879
Transactions costs attributable to issue of new shares	-	(1,983)	-	-	-	-	-	-	-	(1,983)	-	(1,983)
Capital reduction (Note 39)	(134,443)	-	-	-	-	-	-	-	134,443	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	614	614
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(244)	(244)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	37,779	37,779
Shares issued upon exercise of share options	312	545	-	-	-	(287)	-	-	-	570	-	570
Recognition of share-based payments	-	-	-	-	-	2,024	-	-	-	2,024	-	2,024
Forfeiture of share options	-	-	-	-	-	(195)	-	-	195	-	-	-
Shares issued upon placement	34,205	18,535	-	-	-	-	-	-	-	52,740	-	52,740
Changes in equity for the year	(91,360)	47,057	-	-	(108)	1,542	-	102,310	(14,568)	44,873	37,929	82,802
At 31 March 2014	15,659	125,369	16,375	2,943	1,093	9,788	7,400	119,302	(184,045)	113,884	59,344	173,228

# 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	(148,010)	(68,742)
Adjustments for:		
Allowance for impairment of bad and doubtful debts	922	1,403
Amortisation of intangible assets	66	66
Depreciation of property, plant and equipment	1,612	1,153
Fair value loss/(gain) on investment properties	1,300	(2,171)
Fair value losses on Put Options, Call Options and Mandatory Conversion Options of convertible bonds	5,159	6,887
Fair value gain on derivative financial assets	—	(3,860)
Derivative financial assets written off	13,350	1,210
Fair value loss on warrants	1,536	6,612
Finance costs	12,708	6,028
Impairment on goodwill	12	—
Impairment losses on investments in associates and amounts due from associates	99,336	27,671
Interest income	(260)	(233)
Gain on deregistration of a subsidiary	(244)	—
Fair value loss on conversion of convertible bonds	1,094	2,733
Gain on loss on disposal of property, plant and equipment	(53)	—
Property, plant and equipment written off	—	30
Inventories written off	37	5
Reversal of allowance for impairment of bad and doubtful debts	(1,180)	(731)
Share-based payments	2,024	7,033
Share of losses of associates	108	4,168
Operating loss before working capital changes	(10,483)	(10,738)
Decrease/(increase) in inventories	20,985	(42,672)
Decrease/(increase) in trade, bills and other receivables, deposits and prepayments	13,392	(48,836)
Increase in properties under development	(207)	(284)
Increase in amount due to a non-controlling shareholder	844	—
(Decrease)/increase in trade and other payables and receipt in advance	(25,817)	74,649
Cash used in operations	(1,286)	(27,881)
Income taxes paid	(2,384)	(436)
<b>Net cash used in operating activities</b>	<b>(3,670)</b>	<b>(28,317)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (decrease)/increase in amounts with associates	(39,073)	583
Purchases of property, plant and equipment	(5,342)	(1,622)
Purchases of investment property	—	(4,579)
Proceed from disposal of property, plant and equipment	53	—
Payment of deposits for property, plant and equipment	—	(3,941)
Refund of deposits for property, plant and equipment	3,080	—
Acquisition of subsidiaries and associates	(24,696)	(5,157)
Repayment of promissory notes	(5,200)	—
Loan granted to an associate	—	(1,500)
Increase in pledged bank deposits	(2,747)	(1,642)
Interest received	260	83
<b>Net cash used in investing activities</b>	<b>(73,665)</b>	<b>(17,775)</b>

# 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>		
Contributions from non-controlling interests	614	–
Issue of shares upon the exercise of share options	570	–
Net proceeds from issue of shares	50,757	18,987
Net proceeds from issue of warrants	–	1,150
Net proceeds from issue of long term bonds	40,000	–
Repayment of bank loans	(41,483)	(7,389)
Bank and other loans raised	50,036	43,800
Repayment of finance lease payables	(277)	(269)
Interest paid	(5,230)	(2,993)
Finance lease charges paid	(17)	(25)
<b>Net cash generated from financing activities</b>	<b>94,970</b>	<b>53,261</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>17,635</b>	<b>7,169</b>
Effect of foreign exchange rate changes	(83)	(145)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>15,821</b>	<b>8,797</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>33,373</b>	<b>15,821</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	33,373	15,821



# Notes to the Financial Statements

*For the year ended 31 March 2014*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Suite 1006, 10th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, 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 22 to the financial statements.

On 12 August 2013, a special resolution was passed to change the name of the Company from Mobile Telecom Network (Holdings) Limited to Gold Tat Group International Limited.

## 2. 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 new optional 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.

# Notes to the Financial Statements

For the year ended 31 March 2014

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

(Continued)

### 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 clarifies the consolidation of an investee if the entity controls the investee on the basis of de facto circumstances.

The Group re-assessed the control conclusion for its investees as at 1 April 2013 and considered that the adoption of HKFRS 10 did not result in any impact in changes in the consolidated amounts reported in the financial statements.

### c. HKFRS 12 “Disclosure of Interests in Other Entities”

HKFRS 12 “Disclosure of Interests in Other Entities” specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affected the disclosures relating to the Group’s subsidiaries and associates in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

### d. HKFRS 13 “Fair Value Measurement”

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affected disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied other 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 in its results of operations and financial position. The Group does not plan to adopt these standards prior to their mandatory effective date.

# Notes to the Financial Statements

*For the year ended 31 March 2014*

## 3. 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments 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 where assumptions and estimates are significant to these financial statements, are disclosed in note 4 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 that 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.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Consolidation (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

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.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (b) Business combinations and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combinations and goodwill *(Continued)*

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (cc) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

### (c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Associates (Continued)

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in other comprehensive income is recognised in the consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) its carrying amount plus any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (d) 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 dollars ("HK\$"), 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 profit or loss.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Foreign currency translation (Continued)

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) 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 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 useful lives are as follows:

Leasehold properties	50 years
Computer hardware and software	3-5 years
Furniture and fixtures	5 years
Leasehold improvements	Over the lease term
Office equipment	5 years
Motor vehicles	3-4 years

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 profit or loss.

### (f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment properties are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.



# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Leases

#### *The Group as lessee*

##### (i) 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.

##### (ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

#### *The Group as lessor*

##### (i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of relevant lease.

### (h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

### (i) Intangible assets – website

Website is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life of three years.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (l) 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 other comprehensive income is recognised in profit or loss.

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 profit or loss.

### (m) Trade and other receivables

Trade and 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 trade and 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 profit or loss.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Trade and other receivables (Continued)

Impairment losses are reversed in subsequent periods and recognised in 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.

### (n) 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. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### (o) 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 equity instruments 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.

### (p) 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.

### (q) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments and consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as capital reserve. The liability component is carried at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

### (s) Trade and other payables

Trade and 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.

### (t) Equity instruments

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

### (u) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value.

Changes in the fair value of derivatives are recognised in profit or loss as they arise.

### (v) 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.

Revenue from sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Revenue recognition (Continued)

Services fees from provision of mobile data solutions and related services are recognised when the services are rendered.

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

Rental income is recognised on a straight-line basis over the lease term.

### (w) 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 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 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.

### (x) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the 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.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Share-based payments (Continued)

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

### (y) 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.

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 profit or loss in the period in which they are incurred.

### (z) 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 profit or loss because it excludes items of income or expense that are taxable or deductible in previous 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.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (z) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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.

### (aa) PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for the PRC enterprise income tax purposes.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (bb) 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.

(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).

### (cc) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, derivatives, inventories and 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.



# Notes to the Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (cc) Impairment of assets (Continued)

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 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 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.

### (dd) 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.

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.

### (ee) 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.

# Notes to the Financial Statements

*For the year ended 31 March 2014*

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### (b) Income taxes and deferred tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income 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 income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets recognised to the extent that it is probable that future taxable profit will be available against the temporary differences or tax losses can be utilised. In the current year, deferred tax assets relating to certain temporary differences and tax losses are not recognised in the financial statements.

### (c) Impairment for bad and doubtful debts

The Group makes impairment for bad and doubtful debts based on assessments of the recoverability of the trade and other 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 value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

### (d) Impairment of investments in associates and amounts due from associates

Management determines whether investments in associates and amounts due from associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value in use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### (e) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

### (f) Fair value of derivative financial instruments

As disclosed in notes 27 and 34 to the financial statements, the fair values of the derivative financial instruments at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, credit spread, discount rate, the expected life of the derivative financial instruments, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative financial instruments in the period in which such determination is made.

### (g) Impairment of goodwill

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

### (h) Allowance for slow-moving inventories and net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. The Group will reassess the estimates by the end of each reporting period.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### (i) Net realisable value of properties under development

The Group writes down properties under development to net realisable value based on assessment of the realisability of properties under development which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development is adjusted in the period in which such estimate is changed.

## 5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price 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 certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$, Renminbi ("RMB") and United States dollars ("USD"). 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.

#### *Sensitivity analysis*

The Group's bank balances, pledged bank deposits, trade, bills and other receivables, bank loans, trade and other payables are exposed to fluctuation in a currency other than functional currency of the Group which they relate.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 5. FINANCIAL RISK MANAGEMENT

### (a) Foreign currency risk (Continued)

#### *Sensitivity analysis (Continued)*

The following table indicates that the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. Other components of equity would not be affected by changes in foreign exchange rates. For presentation purposes, the amounts are shown in HK\$, translated using the spot rate at the end of the reporting period.

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK\$'000
HK\$/USD	10%	(7,428)	10%	(653)
	(10%)	7,428	(10%)	653
HK\$/RMB	10%	(1,620)	10%	(1,361)
	(10%)	1,620	(10%)	1,361

HK\$ is currently pegged with USD. The Group is therefore mainly exposed to the currency fluctuation of RMB.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period.

### (b) Price risk

The Group's derivative financial instruments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk.

As at 31 March 2014, if the expected volatility had increased by 1% with all other variables held constant, the consolidated loss after tax for the year would increase by approximately HK\$212,000 (2013: decrease by HK\$19,000) arising from changes in fair value of the derivative financial instruments.

If the expected volatility had decreased by 1% with all other variables held constant, the consolidated loss after tax for the year would decrease by approximately HK\$225,000 (2013: increase by HK\$30,000), arising from changes in fair value of the derivative financial instruments.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Credit risk

The carrying amounts of the pledged bank deposits, bank and cash balances, trade, bills and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has certain concentration of credit risk as the Group's largest five debtors accounts for 67% of trade receivables as at 31 March 2014 (2013: 78%).

The Group has policies in place to ensure that services are provided to customers with an appropriate credit history.

The credit risk on pledged bank deposits, bank and cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 March 2014 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

### (d) 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.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Liquidity risk (Continued)

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

	Less than 1 year and on demand 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>				
Trade and other payables	110,056	-	-	-
Due to an associate	14,157	-	-	-
Finance lease payables	491	-	-	-
Liability components of convertible bonds	2,500	109,088	-	-
Bank and other loans	134,859	-	-	-
Long term bonds	2,000	2,000	6,000	44,000
Financial guarantee issued	2,654	-	-	-
Due to a non-controlling shareholder	844	-	-	-
<b>At 31 March 2013</b>				
Trade and other payables	123,557	-	-	-
Due to an associate	7,415	-	-	-
Finance lease payables	784	-	-	-
Liability components of convertible bonds	33,000	-	23,400	-
Bank and other loans	125,894	-	-	-
Promissory notes	5,200	-	-	-
Financial guarantee issued	2,762	-	-	-

# Notes to the Financial Statements

For the year ended 31 March 2014

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Liquidity risk (Continued)

The following table summarises the maturity analysis of bank and other loans and finance lease payables with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained above. Taking into account the Company’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank and other loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The maturity analysis of the Group’s financial liabilities that bank and other loans and finance lease payables subject to a repayment on demand clause based on schedule repayments:

	Less than 1 year and on demand <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>
<b>At 31 March 2014</b>				
Finance lease payables	294	197	–	–
Bank and other loans	117,221	1,043	3,061	18,934
<b>At 31 March 2013</b>				
Finance lease payables	294	294	196	–
Bank and other loans	96,704	15,864	3,130	19,909



# Notes to the Financial Statements

For the year ended 31 March 2014

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank and other loans. These bank and other loans bear interests at variable rates varied with the prevailing market condition and expose the Group to cash flow interest rate risk.

At 31 March 2014, if the interest rate had been 100 basis points lower, with all other variables held constant, the impact on consolidated loss after tax is summarised in the following table. The sensitivity analysis includes bank and other loans and adjusts the respective interest rates at the year end of 100 basis points. A positive number indicates a decrease in loss. If the interest rate had been 100 basis points higher, with all other variables held constant, there would be an equal and opposite impact on loss after tax, and the balances below would be negative.

	At 31 March	
	2014 HK\$'000	2013 HK\$'000
Loss after tax (note)	954	959

Note: This is mainly a result of the decrease in interest expenses on bank and other loans at year end.

### (f) Categories of financial instruments as at 31 March

	2014 HK\$'000	2013 HK\$'000
<b>Financial assets:</b>		
Financial assets at fair value through profit or loss:		
Held-for-trading	4,825	16,963
Loans and receivables (including cash and cash equivalents)	208,245	149,605
<b>Financial liabilities:</b>		
Financial liabilities at fair value through profit or loss:		
Held-for-trading	9,378	8,381
Financial liabilities at amortised cost	406,958	310,852

### (g) 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

## 6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

### (a) Disclosures of level in fair value hierarchy at 31 March:

Description	Fair value measurements using:			2014 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Investment properties				
Commercial – Hong Kong	–	–	39,700	39,700
Financial assets at fair value through profit or loss				
Put Options of convertible bonds	–	3,885	–	3,885
Mandatory Conversion Options of convertible bonds	–	940	–	940
<b>Total</b>	<b>–</b>	<b>4,825</b>	<b>39,700</b>	<b>44,525</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Call Options of convertible bonds	–	30	–	30
Warrants	–	9,348	–	9,348
<b>Total</b>	<b>–</b>	<b>9,378</b>	<b>–</b>	<b>9,378</b>

# Notes to the Financial Statements

For the year ended 31 March 2014

## 6. FAIR VALUE MEASUREMENTS (Continued)

### (a) Disclosures of level in fair value hierarchy at 31 March: (Continued)

Description	Fair value measurements using:			2013 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	–	13,350	13,350
Put Options of convertible bonds	–	3,235	–	3,235
Mandatory Conversion Options of convertible bonds	–	378	–	378
Total	–	3,613	13,350	16,963
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Call Options of convertible bonds	–	569	–	569
Warrants	–	7,812	–	7,812
Total	–	8,381	–	8,381

### (b) Reconciliation of assets measured at fair value based on level 3:

Description	2014	
	Assets/(liabilities) at fair value Derivative financial assets HK\$'000	Investment properties HK\$'000
<b>Assets</b>		
At beginning	13,350	41,000
Written off	(13,350)	–
Total loss recognised in profit or loss <sup>(#)</sup>	–	(1,300)
<b>At end of year</b>	<b>–</b>	<b>39,700</b>
<sup>(#)</sup> Include loss for assets held at end of reporting period	–	(1,300)

## 6. FAIR VALUE MEASUREMENTS (Continued)

# Notes to the Financial Statements

For the year ended 31 March 2014

## (b) Reconciliation of assets measured at fair value based on level 3: (Continued)

During the year, derivatives amounting to HK\$13,350,000 were written off due to the lapse of the call options. The amount recognised in profit or loss was presented as other operating expenses in the consolidated statement of profit or loss.

The total loss recognised in profit or loss including those for assets held at the end of the reporting period are presented as other net income (note 8) in the consolidated statement of profit or loss.

Description	2013
	Financial assets at fair value through profit or loss
	Derivative financial assets HK\$'000
<b>Assets</b>	
At beginning	1,210
Written off	(1,210)
Total gain recognised in profit or loss <sup>(#)</sup>	3,860
Addition	9,490
At end of year	13,350
<sup>(#)</sup> Include gain for assets held at end of reporting period	3,860

The total gain recognised in profit or loss including those for assets held at the end of the reporting period are presented as other operating expenses in the consolidated statement of profit or loss.

## (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2014:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 6. FAIR VALUE MEASUREMENTS (Continued)

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2014: (Continued)

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

#### Level 2 fair value measurements

Description	Valuation technique	Inputs
Put Options of convertible bonds	Binomial option pricing model	Share price, exercise price, risk-free rate, excepted volatility, life of the convertible bonds, expected dividend yield and effective interest rate or risky rate
Mandatory Conversion Options of convertible bonds	Binomial option pricing model	Share price, exercise price, risk-free rate, excepted volatility, life of the convertible bonds, expected dividend yield and effective interest rate
Call Options of convertible bonds	Binomial option pricing model	Share price, exercise price, risk-free rate, excepted volatility, life of the convertible bonds, expected dividend yield and effective interest rate or risky rate
Warrants	Binomial option pricing model	Share price, exercise price, risk-free rate, excepted volatility, life of warrants and expected divided yield

#### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	HK\$'000
Investment property in Mei Foo Sun Chuen, Hong Kong	Sales comparison approach	Premium (discount) on quality of properties	Increase or decrease 25%	8,700
Investment property in Manhattan Hill, Hong Kong	Sales comparison approach	Premium (discount) on quality of properties	Increase or decrease 25%	31,000

# Notes to the Financial Statements

For the year ended 31 March 2014

## 6. FAIR VALUE MEASUREMENTS (Continued)

The fair value of investment properties are determined using sales comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. The valuation takes into account the characteristic of the properties which included the location, size, floor level, year of completion and other factors collectively. Higher premium for higher quality properties will result in a higher fair value measurement.

During the two years, there were no changes in the valuation techniques used.

## 7. TURNOVER

The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the amounts received and receivable for services provided to customers during the year.

	2014 HK\$'000	2013 HK\$'000
Sales of electronic parts and components	939,668	494,595
Service fees from provision of mobile data solutions and related services	41,557	36,872
Rental income	990	144
Sublease rental income	421	–
	982,636	531,611

## 8. OTHER NET INCOME

	2014 HK\$'000	2013 HK\$'000
Interest income	260	233
Net foreign exchange gains	584	85
Fair value (loss)/gain on investment properties	(1,300)	2,171
Fair value gain on derivative financial assets	–	3,860
Reversal of allowance for impairment of bad and doubtful debts	1,180	731
Sundry income	1,321	467
	2,045	7,547

# Notes to the Financial Statements

For the year ended 31 March 2014

## 9. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Trading of electronic parts and components	–	trading of electronic parts and components and provision of professional solution with engineering services
Mobile data solution business	–	provision of mobile data solution and related services
Property development	–	sale of developed properties
Property investment	–	rental income

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profit or loss do not include unallocated corporate results.

Information about reportable segment profit or loss:

	Trading of electronic parts and components <i>HK\$'000</i>	Mobile data solution business <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2014</b>					
Revenue from external customers	939,668	41,557	–	1,411	982,636
Segment profit/(loss)	8,113	472	(103,695)	(1,380)	(96,490)
Depreciation and amortisation	280	793	542	41	1,656
<b>Year ended 31 March 2013</b>					
Revenue from external customers	494,595	36,872	–	144	531,611
Segment profit/(loss)	6,685	(6,386)	(7,692)	1,879	(5,514)
Depreciation and amortisation	206	633	318	–	1,157

# Notes to the Financial Statements

For the year ended 31 March 2014

## 9. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue, profit or loss:

	2014 HK\$'000	2013 HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments	982,636	531,611
<b>Profit or loss</b>		
Total loss of reportable segments	(96,490)	(5,514)
Unallocated corporate results	(52,967)	(64,662)
Consolidated loss for the year	(149,457)	(70,176)
<b>Other material items – depreciation and amortisation</b>		
Total depreciation and amortisation of reportable segments	1,656	1,157
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	22	62
Consolidated depreciation and amortisation	1,678	1,219

## Geographical information

	Non-current assets	
	2014 HK\$'000	2013 HK\$'000
Hong Kong	75,977	77,229
The PRC except Hong Kong	164,025	21,103
Macau	15	–
Consolidated total	240,017	98,332



# Notes to the Financial Statements

For the year ended 31 March 2014

## 9. SEGMENT INFORMATION (Continued)

### Geographical information (Continued)

Majority of the revenue generated by the Group for the year ended 31 March 2014 and 31 March 2013 were attributable to customers based in the PRC. In presenting the geographical information, revenue is based on the locations of the customers.

### Turnover from major customer

	2014 HK\$'000	2013 HK\$'000
Customer A	363,099	134,486

Revenue from one (2013: one) customer of the Group's trading of electronic parts and components represents approximately HK\$363,099,000 (2013: approximately HK\$134,486,000) of the Group's total turnover.

## 10. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Wholly repayable within five years		
– Effective interest expenses on liability components of convertible bonds	5,997	3,010
– Interest on bank loans	3,768	1,636
– Interest on other loan	1,053	1,065
– Finance lease charges	17	25
Not wholly repayable within five years		
– Interest on bank loans	409	292
– Interest on long term bonds	1,464	–
	12,708	6,028

# Notes to the Financial Statements

For the year ended 31 March 2014

## 11. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	1,615	1,495
Over-provision in prior years	(164)	(59)
Deferred tax (note 37)	(4)	(2)
Income tax expense	1,447	1,434

Hong Kong Profits Tax is provided at 16.5% (2013: 16.5%) based on the assessable profits for the year.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2014 HK\$'000	2013 HK\$'000
Loss before tax	(148,010)	(68,742)
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	(24,422)	(11,342)
Tax effect of income that is not taxable	(9)	(383)
Tax effect of expenses that are not deductible	25,964	13,233
Tax effect of temporary differences not recognised	(35)	39
Tax effect of tax losses not recognised	698	1,133
Over-provision in prior years	(164)	(59)
Tax effect of utilisation of tax losses not previously recognised	(730)	(283)
Effect of different tax rates of subsidiaries	145	(904)
Income tax expense	1,447	1,434

# 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/(crediting) the following:

	2014 HK\$'000	2013 HK\$'000
Acquisition-related costs (included in other operating expenses)	2,242	1,518
Amortisation of intangible assets	66	66
Auditor's remuneration		
Current	1,100	788
Under-provision in prior year	108	154
	1,208	942
Cost of inventories sold	899,361	471,690
Property, plant and equipment written off	–	30
Depreciation of property, plant and equipment	1,612	1,153
Directors' emoluments		
– As directors	360	678
– For management	3,036	6,339
	3,396	7,017
Fair value loss/(gain) on investment properties	1,300	(2,171)
Direct operating expenses of investment properties that generate rental income	147	15
Direct operating expenses of investment properties that did not generate rental income	–	100
Fair value loss on warrants	1,536	6,612
Fair value gain on derivative financial assets	–	(3,860)
Derivative financial assets written off	13,350	1,210
Gain on deregistration of a subsidiary	(244)	–
Gain on disposal of property, plant and equipment	(53)	–
Fair value losses on Put Options, Call Options and Mandatory Conversion Options of convertible bonds	5,159	6,887
Fair value loss on conversion of convertible bonds	1,094	2,733
Operating lease charges of premises and facilities	4,775	3,834
Research and development expenses		
– Staff costs	9,613	9,897
– Other expenses	2,653	1,451
	12,266	11,348

# Notes to the Financial Statements

For the year ended 31 March 2014

## 12. LOSS FOR THE YEAR (Continued)

	2014 HK\$'000	2013 HK\$'000
Inventories written off	37	5
Allowance for impairment of bad and doubtful debts	922	1,403
Reversal of allowance for impairment of bad and doubtful debts	(1,180)	(731)
Impairment losses on investments in associates and amounts due from associates	99,336	27,671
Staff costs including directors' emoluments and amount classified as research and development expenses		
Salaries and allowances	39,991	32,575
Share-based payments	2,024	7,033
Retirement benefit scheme contributions	1,302	1,119
Termination benefits	(134)	(67)
	43,183	40,660

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

For the year ended 31 March 2014

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Name of director</b>						
<i>Executive directors</i>						
Mr. Chan Wai Kwong, Peter	-	696	-	-	15	711
Mr. Siu King Nin, Peter (note (a))	-	240	-	-	-	240
Mr. Choi Ho Yan	-	1,440	-	-	30	1,470
Mr. So Haw, Herman	-	456	-	-	15	471
Mr. So Loi Fat (note (b))	-	140	-	-	4	144
<i>Independent non-executive directors</i>						
Mr. Chiu Wai Piu	120	-	-	-	-	120
Mr. Cheung Kwan Hung, Anthony	120	-	-	-	-	120
Mr. Heung Chee Hang, Eric	120	-	-	-	-	120
	360	2,972	-	-	64	3,396

Note (a): Resigned on 28 June 2013

(b): Appointed on 7 January 2014

# Notes to the Financial Statements

For the year ended 31 March 2014

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

For the year ended 31 March 2013

Name of director	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share-based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Dr. Chan Chung ( <i>note (c)</i> )	–	1,613	–	–	13	1,626
Mr. Chan Wai Kwong, Peter	–	696	–	276	14	986
Mr. Siu King Nin, Peter	–	960	–	276	–	1,236
Mr. Choi Ho Yan	–	1,440	–	276	29	1,745
Mr. So Haw, Herman	–	456	–	276	14	746
<i>Independent non-executive directors</i>						
Mr. Chiu Wai Piu	120	–	–	106	–	226
Mr. Cheung Kwan Hung, Anthony	120	–	–	106	–	226
Mr. Heung Chee Hang, Eric	120	–	–	106	–	226
	360	5,165	–	1,422	70	7,017

*Note (c):* The director was deceased on 20 December 2012.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2013: Nil).

# Notes to the Financial Statements

For the year ended 31 March 2014

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

During the year, there were two individuals with same emoluments ranking the fifth highest paid in the Group. Therefore, a total of six (2013: five) individuals were included in the highest paid analysis. The six (2013: five) highest paid individuals in the Group during the year included one director (2013: three directors) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining five (2013: two) individuals are set out below:

	2014 HK\$'000	2013 HK\$'000
Salaries and allowances	5,947	1,660
Retirement benefit scheme contributions	75	17
Share-based payments	1,288	552
	7,310	2,229

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	4	2
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	1	–
	5	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.

# Notes to the Financial Statements

For the year ended 31 March 2014

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

The loss for the year attributable to owners of the Company included a loss of approximately HK\$203,431,000 (2013: approximately HK\$61,025,000) which has been dealt with in the financial statements of the Company.

## 15. DIVIDENDS

The directors have not declared nor proposed any dividends in respect of the year ended 31 March 2014 (2013: 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\$149,206,000 (2013: approximately HK\$71,503,000) and the weighted average number of ordinary shares of 1,697,378,472 (2013: 1,269,821,250) in issue during the year.

### (b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds, warrants and outstanding options for the years ended 31 March 2014 and 2013 would be anti-dilutive, no diluted loss per share was presented in both years.

## 17. OTHER COMPREHENSIVE INCOME

Tax effects relating to each item of other comprehensive income for the year:

	2014			2013		
	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000
Exchange differences on translating foreign operations	(77)	-	(77)	126	-	126
Other comprehensive income	(77)	-	(77)	126	-	126

# Notes to the Financial Statements

For the year ended 31 March 2014

## 18. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold properties HK\$'000	Computer hardware and software HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 April 2012	–	6,576	547	170	1,237	8,530
Additions	–	391	903	16	312	1,622
Acquisition of a subsidiary	5,000	31	11	–	271	5,313
Written off	–	(5,330)	(411)	(141)	–	(5,882)
Exchange differences	–	(29)	–	–	–	(29)
At 31 March 2013 and at 1 April 2013	5,000	1,639	1,050	45	1,820	9,554
Additions	–	517	4,719	18	949	6,203
Acquisition of subsidiaries	–	17	6	–	–	23
Disposal	–	–	–	–	(119)	(119)
Exchange differences	–	1	1	–	6	8
<b>At 31 March 2014</b>	<b>5,000</b>	<b>2,174</b>	<b>5,776</b>	<b>63</b>	<b>2,656</b>	<b>15,669</b>
<b>Accumulated depreciation</b>						
At 1 April 2012	–	5,840	356	151	103	6,450
Charge for the year	64	456	194	6	433	1,153
Written off	–	(5,330)	(381)	(141)	–	(5,852)
Exchange differences	–	(30)	–	–	–	(30)
At 31 March 2013 and at 1 April 2013	64	936	169	16	536	1,721
Charge for the year	110	477	356	10	659	1,612
Disposal	–	–	–	–	(119)	(119)
<b>At 31 March 2014</b>	<b>174</b>	<b>1,413</b>	<b>525</b>	<b>26</b>	<b>1,076</b>	<b>3,214</b>
<b>Carrying amount</b>						
<b>At 31 March 2014</b>	<b>4,826</b>	<b>761</b>	<b>5,251</b>	<b>37</b>	<b>1,580</b>	<b>12,455</b>
At 31 March 2013	4,936	703	881	29	1,284	7,833

At 31 March 2014, the carrying amount of a motor vehicle held by the Group under finance leases amounted to approximately HK\$516,000 (2013: HK\$825,000).

The Group's leasehold properties are situated in Hong Kong and are held under medium-lease between ten to fifty years.

At 31 March 2014, the carrying amount of the Group's leasehold properties amounted to approximately HK\$4,826,000 (2013: HK\$4,936,000) were pledged as security for the Group's mortgage loan (note 33).



# Notes to the Financial Statements

For the year ended 31 March 2014

## 19. INVESTMENT PROPERTIES – GROUP

	2014 HK\$'000	2013 HK\$'000
At beginning of year	41,000	30,000
Addition	–	8,829
Fair value (loss)/gain	(1,300)	2,171
At end of year	39,700	41,000

Investment properties were revalued at 31 March 2014 and 2013 on the open market value basis by reference to market evidence of recent transactions for similar properties by Savills Valuation and Professional Services Limited, an independent firm of valuers.

The Group's investment properties are situated in Hong Kong and are held under medium-leases between ten to fifty years.

At 31 March 2014, the carrying amount of investment properties pledged as security for the Group's bank and other loans amounted to HK\$39,700,000 (2013: HK\$41,000,000) (note 33).

## 20. GOODWILL – GROUP

	HK\$'000
<b>Cost</b>	
At 1 April 2012	–
Arising on acquisition of a subsidiary (note 42(c))	24,911
At 31 March 2013 and 1 April 2013	24,911
Arising on acquisition of a subsidiary (note 42(b))	12
<b>At 31 March 2014</b>	<b>24,923</b>
<b>Accumulated impairment losses</b>	
Impairment loss recognised in the year ended 31 March 2013 and balance at 31 March 2013 and 1 April 2013	–
Impairment loss recognised in the current year	12
<b>At 31 March 2014</b>	<b>12</b>
<b>Carrying amount</b>	
<b>At 31 March 2014</b>	<b>24,911</b>
At 31 March 2013	24,911

# Notes to the Financial Statements

For the year ended 31 March 2014

## 20. GOODWILL – GROUP (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (“CGUs”) that are expected to benefit from that business combination. The carrying amount of goodwill, before impairment loss, had been allocated as follows:

	2014 HK\$'000	2013 HK\$'000
Trading of electronic parts and components segment: ETC Technology Limited (“ETC”)	24,911	24,911
Mobile data solution business segment: Mads (Macau) Limited (“Mads”)	12	–
	24,923	24,911

The recoverable amounts of the CGUs are determined on the basis of their value in use.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using zero growth rate.

The pre-tax rate used to discount the forecast cash flows is 10% (2013: 10.3%) for the CGU of ETC.

At 31 March 2014, before impairment testing, goodwill of HK\$24,911,000 and HK\$12,000 were allocated to ETC of the trading of electronic parts and components segment and Mads of the mobile data solution business segment respectively. Due to changes in market condition, the Group has revised its cash flow forecasts for the mobile data solution business segment. The goodwill allocated to Mads has therefore been reduced to its recoverable amount of HK\$Nil through recognition of an impairment loss of HK\$12,000 against goodwill on CGU of Mads during the year.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 21. INTANGIBLE ASSETS – GROUP

	Website HK\$'000
<b>Cost</b>	
At 1 April 2012, at 31 March 2013 and at 31 March 2014	200
<b>Accumulated amortisation</b>	
At 1 April 2012	6
Amortisation for the year	66
At 31 March 2013 and at 1 April 2013	72
Amortisation for the year	66
<b>At 31 March 2014</b>	<b>138</b>
<b>Carrying amount</b>	
<b>At 31 March 2014</b>	<b>62</b>
At 31 March 2013	128

## 22. INTERESTS IN SUBSIDIARIES – COMPANY

	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	357,963	147,940
Impairment losses	(157,923)	(52,669)
<b>Carrying value</b>	<b>200,040</b>	<b>95,271</b>
Amounts due from subsidiaries (note (a))	112,512	75,566
Allowance	(82,256)	(28,025)
	30,256	47,541
Amounts due to subsidiaries (note (a))	(1,028)	(1,574)

# Notes to the Financial Statements

For the year ended 31 March 2014

## 22. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Details of the subsidiaries at 31 March are as follows:

Name	Place of incorporation/ registration	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held	
				2014	2013
Directly held:					
Mobile Telecom (BVI) Limited	British Virgin Islands ("BVI")	Investment holding	100 ordinary shares of US\$1 each	100%	100%
Full Rich Human Resources Limited	Hong Kong	Human resources management in Hong Kong	HK\$100	100%	100%
Gold Continental Investments Limited	BVI	Investment holding	100 ordinary shares of US\$1 each	100%	100%
Golden Kingtex Limited	BVI	Investment holding	100 ordinary shares of US\$1 each	100%	100%
Gold Basin Capital Limited	BVI	Investment holding	100 ordinary shares of US\$1 each	100%	100%
Indirectly held:					
MTel (Taiwan) Limited	BVI	Provision of mobile data solutions and related services in Taiwan	100 ordinary shares of US\$1 each	100%	100%
MTel Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	HK\$10  HK\$1,000,000 non-voting deferred shares (note (b))	100%	100%
MTel (Hong Kong) Limited	Hong Kong	Not yet commenced business	HK\$10,000	100%	100%

# Notes to the Financial Statements

For the year ended 31 March 2014

## 22. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Place of incorporation/ registration	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held	
				2014	2013
MTel Solutions Limited	Hong Kong	Information technology solution services in Hong Kong	HK\$10,000	60%	60%
MTel (Asia) Limited	Hong Kong	Not yet commenced business	HK\$100	100%	100%
Star Global Industries Limited	Hong Kong	Property investment	HK\$1	100%	100%
Best Team International Investment Limited	Hong Kong	Investment holding	HK\$2,000	100%	100%
廣州市八達網科技 有限公司 (note (c))	The PRC	Provision of mobile data solutions and related services in Guangzhou	HK\$900,000	100%	100%
深圳市鑫泰溢投資發展 有限公司 (note (c))	The PRC	Investment holding	RMB20,000,000	100%	100%
陽江市永聯房地產開發 有限公司	The PRC	Property development	RMB1,000,000	66.66%	66.66%
Mooff Games Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	HK\$10,000	60%	60%
ETC Technology Limited	Hong Kong	Trading of electronic parts	HK\$2,000,000	75%	75%
Best Precision Holdings Limited	BVI	Investment holding	50,000 ordinary shares of US\$1 each	75%	75%
Dignity Effort Global Investment Limited	BVI	Investment holding	50,000 ordinary shares of US\$1 each	75%	75%

# Notes to the Financial Statements

For the year ended 31 March 2014

## 22. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Place of incorporation/ registration	Principal activities	Particulars of issued and fully paid share capital/ registered capital	Interest held	
				2014	2013
Prefect Surplus Corporation Limited	Hong Kong	Trading of electronic parts	HK\$1	75%	75%
Hegrow Inc Limited	Hong Kong	Trading of electronic parts	HK\$10,000	75%	75%
Mads (Macau) Limited	Macau	Technology information and media electronic	MOP40,000	61.5%	38%
Side Quest Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	HK\$10,000	100%	N/A
深圳市中亞第一商務服務有限公司	The PRC	Property leasing services	RMB1,000,000	51%	N/A
Best Worldwide Corporation Limited ("Best Worldwide")	Hong Kong	Investment holding	HK\$150,000,100	70%	N/A
深圳市錦鑫貿易有限公司	The PRC	Investment holding	RMB10,000,000	70%	N/A
深圳市金康盛信息諮詢有限公司	The PRC	Investment holding	RMB10,000,000	70%	N/A

**Note:**

- The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- Holders of non-voting deferred shares have no voting rights, are not entitled to dividends and are not entitled to any distribution upon winding up unless a sum of HK\$100,000,000,000,000,000 has been distributed by the Company to the holders of its ordinary shares.
- 廣州市八達網科技有限公司, 深圳市鑫泰溢投資發展有限公司 and 深圳市錦鑫貿易有限公司 are wholly-foreign owned enterprises established in the PRC.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 22. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

The following table shows information of subsidiaries that have non-controlling interests (“NCI”) material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Best Worldwide
Principal place of business/country of incorporation	Hong Kong/ Hong Kong
% of ownership interests/voting rights held by NCI	30%/30%
	HK\$'000
<b>At 31 March 2014:</b>	
Non-current assets	139,678
Current assets	–
Non-current liabilities	–
Current liabilities	(195)
Net assets	139,483
Accumulated NCI	41,845
<b>Period from 22 October 2013 (date of acquisition) to 31 March 2014:</b>	
Loss	(10,492)
Loss allocated to NCI	(3,148)
Net cash generated from operating activities	–
Net increase in cash and cash equivalents	–

As at 31 March 2014, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to HK\$2,639,000 (2013: HK\$3,716,000). 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.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 23. INVESTMENTS IN ASSOCIATES – GROUP

	2014 HK\$'000	2013 HK\$'000
Unlisted investments:		
Share of net assets	149,549	29,696
Goodwill	139,475	17,622
	289,024	47,318
Impairment losses on investments in associates (note (b))	(126,135)	(26,799)
	162,889	20,519

### Notes:

- (a) The amounts due from/(to) associates are unsecured, interest-free and repayable on demand.
- (b) The recoverable amount of the investment in an associate, 陽江市中裕房地產開發有限公司 ("Zhongyu") which was acquired during the year, are determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rate and budgeted turnover. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investment in Zhongyu. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the associate operates. Budgeted turnover are based on expectations on market development of related operations.
- The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors covering a five-year period using a constant growth rate of 5%.
- The pre-tax rate used to discount the forecast cash flows is 10%.
- During the year ended 31 March 2014, impairment loss of approximately HK\$99,336,000 was made on the investment in an associate, Zhongyu, with reference to the recoverable value of the associate.
- (c) The Group has not recognised its share of losses for the year amounting to approximately HK\$15,594,000 (2013: HK\$11,445,000) for the associates. The accumulated losses not recognised were HK\$27,039,000 as at 31 March 2014 (2013: HK\$11,445,000).
- (d) On 5 May 2014, the Group entered into an agreement with a third party to dispose its 33.33% equity interest in Jun Feng Enterprise (HK) Limited ("Jun Feng") at a consideration of HK\$333,000. A gain on disposal of the investment in this associate of HK\$333,000 will be recognised in the profit or loss during the year ending 31 March 2015.



# Notes to the Financial Statements

For the year ended 31 March 2014

## 23. INVESTMENTS IN ASSOCIATES – GROUP (Continued)

Details of the Group's associates at 31 March 2014 are as follows:

Name	Place of incorporation/ registration	Particulars of issued and fully paid share capital/ registered capital	Percentage of ownership interest	Principal activities
廣州流之動資訊技術有限公司	The PRC	RMB1,000,000	43.3%	Mobile data solutions
陽東富力房地產發展有限公司 ("Fuli")	The PRC	RMB1,000,000	25%	Property development
Jun Feng Enterprise (HK) Limited	Hong Kong	HK\$60,000,000	33.33%	Investment holding
郴州駿峰微電子有限公司	The PRC	US\$9,540,000	33.33%	Inactive*
郴州駿峰科技有限公司	The PRC	RMB100,000	33.33%	Inactive*
陽江市中裕房地產開發有限公司	The PRC	RMB10,000,000	50%	Property development

\* The business licences have been suspended as at 31 March 2014.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 23. INVESTMENTS IN ASSOCIATES – GROUP (Continued)

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Zhongyu	Fuli	Fuli
	2014	2014	2013
Principal place of business/ country of incorporation	The PRC/ The PRC	The PRC/ The PRC	The PRC/ The PRC
Principal activities	Property development in the PRC	Property development in the PRC	Property development in the PRC
% of ownership interests/ voting rights held by the Group	50%/50%	25%/25%	25%/25%
	HK\$'000	HK\$'000	HK\$'000
<b>At 31 March:</b>			
Non-current assets	108	78	103
Current assets	484,871	233,129	213,284
Non-current liabilities	(70,099)	(42,696)	(62,541)
Current liabilities	(181,203)	(138,459)	(109,072)
Net assets	233,677	52,052	41,774
Group's share of net assets	116,838	13,013	10,444
Exchange realignment	632	(261)	(74)
Goodwill	22,518	10,149	10,149
Group's share of carrying amount of interests	139,988	22,901	20,519
<b>Period from 22 October 2013 (date of acquisition) to 31 March 2014/ Year ended 31 March:</b>			
Revenue	60,664	63,425	17,716
(Loss)/profit from operations	(4,961)	9,529	(14,153)
Other comprehensive income	786	749	296
Total comprehensive income	(4,175)	10,278	(13,857)

# Notes to the Financial Statements

For the year ended 31 March 2014

## 23. INVESTMENTS IN ASSOCIATES – GROUP (Continued)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2014 HK\$'000	2013 HK\$'000
<b>At 31 March:</b>		
Carrying amounts of interests	–	–
<b>Year ended 31 March:</b>		
Loss from operations	(46,304)	(31,331)
Other comprehensive income	–	(24)
<b>Total comprehensive income</b>	<b>(46,304)</b>	<b>(31,355)</b>

As at 31 March 2014, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to HK\$41,349,000 (2013: HK\$2,360,000). 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.

## 24. INVENTORIES – GROUP

	2014 HK\$'000	2013 HK\$'000
Finished goods	42,496	63,518

# Notes to the Financial Statements

For the year ended 31 March 2014

## 25. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade receivables (notes (a), (b) and (d))	34,981	46,200	–	–
Less: Allowance for impairment of bad and doubtful debts (note (c))	(612)	(1,180)	–	–
	34,369	45,020	–	–
Bills receivables	70,998	58,288	–	–
Other receivables, deposits and prepayments	45,255	41,677	5,155	4,362
	150,622	144,985	5,155	4,362

Notes:

- (a) The ageing analysis of trade receivables, based on the invoice date, and before allowance, is as follows:

	2014 HK\$'000	2013 HK\$'000
0 to 30 days	27,011	36,127
31 to 60 days	3,265	6,835
61 to 90 days	2,524	2,165
Over 90 days	2,181	1,073
	34,981	46,200

The credit terms granted by the Group to its customers are generally cash on delivery to 90 days.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by directors.

- (b) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	HK\$ HK\$'000	USD HK\$'000	Others HK\$'000	Total HK\$'000
2014	5,768	28,591	10	34,369
2013	2,818	42,105	97	45,020

# Notes to the Financial Statements

For the year ended 31 March 2014

## 25. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY (Continued)

Notes: (Continued)

- (c) As at 31 March 2014, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$612,000 (2013: approximately HK\$1,180,000). Allowance for trade receivables recognised in previous years was reversed due to subsequent settlement made by respective customers during the year.

Reconciliation of allowance for trade receivables:

	2014 HK\$'000	2013 HK\$'000
At 1 April	1,180	290
Reversal	(1,180)	–
Allowance	612	890
At 31 March	612	1,180

### (d) Trade receivables were past due but not impaired

As at 31 March 2014, trade debtors of approximately HK\$19,074,000 (2013: approximately HK\$11,468,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 HK\$'000	2013 HK\$'000
Up to 30 days	16,447	10,461
31 to 60 days	684	836
Over 60 days	1,943	171
	19,074	11,468

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

# Notes to the Financial Statements

For the year ended 31 March 2014

## 26. PROPERTIES UNDER DEVELOPMENT – GROUP

	2014 HK\$'000	2013 HK\$'000
At 1 April	60,320	59,986
Additions	207	284
Exchange difference	133	50
At 31 March	60,660	60,320

The properties under development include costs of acquiring rights to use certain lands, which are located in Yangjiang City, Guangdong Province, the PRC. Land use rights are held on leases of 37 years.

At the reporting date, the properties under development are expected to be recovered more than one year.

## 27. DERIVATIVE FINANCIAL ASSETS – GROUP AND COMPANY

	2014 HK\$'000	2013 HK\$'000
<b>At fair value</b>		
Call options – ETC ( <i>note (a)</i> )	–	13,350

Notes:

- (a) On 10 September 2012, the Group acquired 75% of the issued share capital of ETC. Details of the acquisition are set out in note 42(c) to the financial statements. Pursuant to the Option Deed For The Grant Of Call Option Over Shares in ETC Technology Limited dated 10 October 2012 ("ETC Option Deed"), the vendors of ETC granted a right to the Group to call upon the acquisition of additional 500,000 shares of ETC. The exercise price per each ETC's share shall be calculated based on 5% of the audited consolidated net profits after tax and any extraordinary or exceptional items of ETC and its subsidiaries ("ETC Group") for the financial year ended 31 March 2013 and multiply a price earnings ratio of 6.5. The call options are exercisable within one month commencing on 1 July 2013. Details of the Option Deed are set out in the Company's announcement dated 15 March 2012.

The fair value of call options of ETC was calculated using the binomial option pricing model. The inputs into the model are as follows:

	31 March 2013	10 September 2012
Share price of ETC	HK\$52.93	HK\$39.10
Expected exercise price*	HK\$26.24	HK\$27.42
Expected volatility of ETC's shares	52.05%	76.42%
Risk free rate	0.06%	1.24%
Life of options	0.26 years	1.25 years

\* The expected exercise price is based on the ETC's profit forecast.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 27. DERIVATIVE FINANCIAL ASSETS – GROUP AND COMPANY

Notes:

(a) (Continued)

The Group did not exercise the ETC Option Deed upon the expiry date. The ETC Option Deed was lapsed during the year ended 31 March 2014. Thus, the fair value of the Option Deed is zero and the write-off of the Option Deed amounted to HK\$13,350,000 was charged to profit or loss account.

(b) Pursuant to the agreement for sale and purchase of 75% of the issued share capital of ETC dated 22 February 2012 (supplemented by supplemental agreement dated 15 March 2012) (the “Agreement”), the vendors provided a profit guarantee to the Group that the audited consolidated net profits after tax and any extraordinary or exceptional items of the ETC Group shall not be less than HK\$8,000,000 for each of the three financial years ending 31 March 2013, 2014 and 2015 (the “Profit Guarantee”). In the event the actual audited consolidated net profits after tax and any extraordinary or exceptional items of the ETC Group for the year ending 31 March 2013, 2014 and 2015 is less than the Profit Guarantee, the vendors shall pay to the Group in cash for the shortfall on a dollar to dollar basis. Should the ETC Group record a loss in its audited financial statements for each of the three financial years ending 31 March 2013, 2014 and 2015, the vendors shall pay HK\$8,000,000 to the Group for such financial year. The Profit Guarantee for the years ended 31 March 2013 and 2014 have been met.

The fair value of the Profit Guarantee as at 10 September 2012 and 31 March 2013 were determined to be HK\$Nil by reference to valuation reports. The valuations are based on financial budget plans approved by management for the years ending 31 March 2013, 2014 and 2015 with a growth rate ranging from 4% to 14%. The fair value of the Profit Guarantee is determined by probability – weighted approach.

The fair value of the Profit Guarantee as at 31 March 2014 were determined to be immaterial by reference to a valuation report. The valuation is based on financial budget plans approved by management for the year ending 31 March 2015 with a zero growth rate. The fair value of the profit guarantee is determined by probability – weighted approach.

The fair values of the call options and Profit Guarantee were valued by Savills Valuation and Professional Services Limited, an independent firm of valuers.

## 28. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES – GROUP AND COMPANY

The cash and cash equivalents of the Group and Company are as follows:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash on hand	543	141	–	–
Cash at bank	32,830	15,680	13	19
Cash and cash equivalents in the consolidated statement of cash flows	33,373	15,821	13	19

# Notes to the Financial Statements

For the year ended 31 March 2014

## 28. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES – GROUP AND COMPANY (Continued)

The cash and cash equivalents of the Group and Company are denominated in the following currencies:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
USD	23,100	9,686	2	2
HK\$	7,069	2,277	11	17
RMB *	3,093	3,829	–	–
Others	111	29	–	–
	<b>33,373</b>	15,821	<b>13</b>	19

The pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group.

The carrying amounts of the pledged deposits of the Group are denominated in the following currencies:

	Group	
	2014 HK\$'000	2013 HK\$'000
USD	504	504
RMB*	18,879	16,132
	<b>19,383</b>	16,636

\* 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.



# Notes to the Financial Statements

For the year ended 31 March 2014

## 29. TRADE AND OTHER PAYABLES AND RECEIPT IN ADVANCE – GROUP AND COMPANY

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade payables (notes (a) and (b))	29,919	36,401	–	–
Other payables (note (c))	80,137	87,156	3,290	3,432
Receipt in advance	6,867	4,597	–	–
	<b>116,923</b>	<b>128,154</b>	<b>3,290</b>	<b>3,432</b>

Notes:

- (a) The ageing analysis of trade payables of the Group, based on the date of delivery, is as follows:

	2014 HK\$'000	2013 HK\$'000
0 to 30 days	15,069	24,268
31 to 60 days	12,839	8,609
61 to 90 days	1,157	2,684
Over 90 days	854	840
	<b>29,919</b>	<b>36,401</b>

- (b) The carrying amounts of the Group's trade payables are denominated in the following currencies:

	Group	
	2014 HK\$'000	2013 HK\$'000
HK\$	1,462	1,537
USD	28,457	34,864
	<b>29,919</b>	<b>36,401</b>

- (c) As at 31 March 2013, other payables included an amount of HK\$33,000 due to a director, Mr. Choi Ho Yan. The amount was unsecured, interest-free and had no fixed terms of repayment.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 30. DUE TO A NON-CONTROLLING SHAREHOLDER

The amount due to a non-controlling shareholder is unsecured, interest-free and repayable on demand.

## 31. WARRANTS – GROUP AND COMPANY

The warrant liability is classified as held for trading.

On 15 January 2013, the Company entered into a warrant placing agreement with KGI Asia Limited in respect of the placement of 120,000,000 non-listed warrants at a price of HK\$0.01 each to not less than six independent investors.

Each warrant entitles the holder to subscribe for one ordinary share at an exercise price of not less than HK\$0.167 each on or after the date of issue until three years after the issue date. The placement was completed on 31 January 2013 and the net proceed from the placement was HK\$1,150,000, net of warrant issue expense.

The fair value of the warrants is determined by binomial option pricing model.

The key assumptions used are as follows:

	31 March 2014	31 March 2013	Date of issue
Share price of the Company	HK\$0.209	HK\$0.149	HK\$0.160
Exercise price	HK\$0.168	HK\$0.168	HK\$0.168
Expected volatility	54.78%	74%	77%
Expected life	1.84 years	2.84 years	3 years
Risk free rate	0.45%	0.195%	0.28%
Expected dividend yield	Nil	Nil	Nil

As at the reporting date, the fair value of the warrants is HK\$9,348,000 (2013: HK\$7,812,000) and hence a total loss of HK\$1,536,000 is recognised in the other operating expenses.

## 32. PROMISSORY NOTES – GROUP AND COMPANY

	2014 HK\$'000	2013 HK\$'000
At beginning of the year	5,200	–
Acquisition of ETC (note 42(c))	–	5,200
Repayment	(5,200)	–
At end of the year	–	5,200

# Notes to the Financial Statements

For the year ended 31 March 2014

## 32. PROMISSORY NOTES – GROUP AND COMPANY (Continued)

As set out in note 42(c), the Company issued promissory notes in the principal amount of HK\$5,200,000 as part of the consideration for the acquisition of 75% equity interest of ETC.

Promissory notes are repayable on demand, interest-free, unsecured and denominated in HK\$ as at 31 March 2013. The directors of the Company considered that the carrying amount of the promissory notes approximate their fair value.

The promissory notes were fully settled during the year ended 31 March 2014.

## 33. BANK AND OTHER LOANS – GROUP AND COMPANY

The analysis of the carrying amount of bank and other loans are as follow:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Current liabilities</b>				
Secured bank loans subject to repayable on demand clause (i)	17,638	18,654	–	–
Secured bank loans on demand or within one year (i)	987	1,302	–	–
Secured other loan subject to repayable on demand clause (ii)	–	11,000	–	11,000
Unsecured other loan subject to repayable on demand clause (iv)	775	–	–	–
Bank invoice loans (iii)	115,047	94,938	–	–
	134,447	125,894	–	11,000

# Notes to the Financial Statements

For the year ended 31 March 2014

## 33. BANK AND OTHER LOANS – GROUP AND COMPANY (Continued)

The interest bearing bank and other loans, including the bank and other loans repayable on demand, are carried at amortised cost.

The bank and other loans are repayable as follows based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
On demand or within one year	116,809	96,240	–	–
In the second year	652	11,987	–	11,000
In the third to fifth years, inclusive	1,980	2,001	–	–
After five years	15,006	15,666	–	–
	134,447	125,894	–	11,000
Less: Amount due for settlement within 12 months	(116,809)	(96,240)	–	–
Amount due for settlement after 12 months	17,638	29,654	–	11,000

The carrying amounts of the bank and other loans are denominated in the following currencies:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
HK\$	18,625	30,956	–	11,000
USD	115,822	94,938	–	–
	134,447	125,894	–	11,000

# Notes to the Financial Statements

For the year ended 31 March 2014

## 33. BANK AND OTHER LOANS – GROUP AND COMPANY (Continued)

The ranges of interest rates paid were as follows:

	Group		Company	
	2014	2013	2014	2013
(i) Bank loans	2.25% to 5%	2.5% to 10.68%	N/A	N/A
(ii) Other loan – secured	N/A	18%	N/A	18%
(iii) Bank invoice loans	2.69% to 3.5%	2.63% to 3.5%	N/A	N/A
(iv) Other loan – unsecured	1%	N/A	N/A	N/A

Except unsecured other loan which is arranged at fixed rate, and expose the Group to fair value interest rate risk, all bank and other loans are arranged at floating rates, thus exposing the Group and the Company to cash flow interest rate risk.

At 31 March 2014, the above bank and other loans are secured by the following:

- legal charge over leasehold properties of the Group (*note 18*);
- legal charge over investment properties of the Group (*note 19*);
- legal charge over properties owned by the directors of a subsidiary and related persons of the Group;
- personal guarantees with unlimited amount given by a director, directors of subsidiaries and related persons of the Group;
- guarantee executed by the Hong Kong Special Administrative Region Government in respect of Special Loan Guarantee Scheme;
- corporate guarantees provided by the Company and a subsidiary of the Company;
- pledged bank deposits of the Group (*note 28*);
- subordination of loans by the directors of a subsidiary of the Company.

During the years ended 31 March 2014 and 2013, the Group breached certain covenant clauses in a banking facility agreement in relation to the balances of the amounts due from related parties/directors/shareholders. As a result, bank loans of HK\$34,980,000 (2013: HK\$19,800,000) as at 31 March 2014 are subject to an early repayment option by the bank. The bank has not requested for the early repayment of the bank loan.

# Notes to the Financial Statements

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## 34. CONVERTIBLE BONDS – GROUP AND COMPANY

	Group and Company	
	2014 HK\$'000	2013 HK\$'000
Liability components of convertible bonds		
Convertible bonds 1 (note (a))	2,472	30,493
Convertible bonds 2 (note (b))	–	–
Convertible bonds 3 (note (c))	20,178	18,294
Convertible bonds 4 (note (d))	84,325	–
	106,975	48,787
The maturity of the liability components of the convertible bonds:		
Within one year	2,472	30,493
In the second to fifth years inclusive	104,503	18,294
	106,975	48,787

Notes:

### (a) Convertible bonds 1 (the “CB1”)

On 3 June 2011, as part of the consideration for the acquisition of Best Team International Investment Limited and its subsidiaries, the Company issued the CB1 with a principal amount of HK\$33,000,000. The CB1 bears zero coupon interest and has a maturity period of three years from the issue date to 2 June 2014. Any CB1 not converted will be redeemed on 2 June 2014 at 100% of their principal amount. Other principal terms of the CB1 are set out below:

- (i) The Company may at any time before 2 June 2014 by serving at least ten days' prior written notice on the bondholders with the total amount proposed to be redeemed from the bondholders specified therein, redeem the CB1 (in whole or in part). This option of the Company as the issuer of the convertible bonds is referred to as the Put Option.
- (ii) The bondholders may at any time from 3 June 2012 to 2 June 2013 by serving at least three months' prior written notice on the Company with the total amount proposed to be redeemed by the Company specified therein, require the Company to redeem the CB1 in the aggregate principal amount of not more than HK\$16,500,000 (in whole or in part).

The bondholders may at any time after 3 June 2013 by serving at least three months' prior written notice on the Company with the total amount proposed to be redeemed by the Company specified therein, require the Company to redeem the CB1 (in whole or in part).

This option of the convertible bondholder is referred to as the Call Option.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 34. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (a) Convertible bonds 1 (the “CB1”) (Continued)

The CB1 entitles the bondholders to convert the bonds into new ordinary shares of the Company at conversion price of HK\$0.242, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued. The conversion price of CB1 was adjusted to HK\$0.163 per share due to the completion of open offer on 20 June 2011. Details of the CB1 are set out in the Company’s circular dated 29 April 2011.

The CB1 contains four components, a Put Option, a Call Option, a liability component and an equity component. The equity component is presented in equity as part of the “convertible bonds reserve”. The effective interest rate of the liability component for the CB1 is 7% per annum. The Put Option and Call Option are measured at fair value with changes in fair value recognised in the profit or loss.

During the year ended 31 March 2014, CB1 of principal amount HK\$30,500,000 were converted into ordinary shares (notes 39(c) and (g)).

	Put Option HK\$'000	Call Option HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
<b>(Asset)/liability/equity</b>					
At 1 April 2013	(3,235)	569	30,493	9,356	37,183
Effective interest expense recognised	–	–	1,858	–	1,858
Transfer to equity upon conversion	–	–	(29,879)	(8,647)	(38,526)
Fair value loss/(gain)	3,231	(569)	–	–	2,662
<b>(Asset)/liability/equity at 31 March 2014</b>	<b>(4)</b>	<b>–</b>	<b>2,472</b>	<b>709</b>	<b>3,177</b>
<b>(Asset)/liability/equity</b>					
At 1 April 2012	(9,299)	466	28,494	9,356	29,017
Fair value loss	6,064	103	–	–	6,167
Effective interest expense recognised	–	–	1,999	–	1,999
<b>(Asset)/liability/equity at 31 March 2013</b>	<b>(3,235)</b>	<b>569</b>	<b>30,493</b>	<b>9,356</b>	<b>37,183</b>

# Notes to the Financial Statements

For the year ended 31 March 2014

## 34. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (a) Convertible bonds 1 (the “CB1”) (Continued)

The directors estimate the fair value of the liability component of the CB1 as at 31 March 2014 to be approximately HK\$2,471,000 (2013: HK\$29,886,000). The fair value has been calculated by discounting the future cash flows at the market rate (level 2 fair value measurements).

The Put Option and Call Option are measured at their fair values at the date of issue, dates of conversion and at the end of each reporting period. The fair values are estimated using binomial option pricing model. The key assumptions used are as follows:

	Date of conversion			
	31 March 2014	13 March 2014	14 January 2014	31 March 2013
Share price of the Company	HK\$0.209	HK\$0.213	HK\$0.214	HK\$0.149
Expected volatility	33%	35%	67%	47%
Expected life	0.18 year	0.22 year	0.38 year	1.18 years
Risk free rate	0.11%	0.12%	0.11%	0.07%

### (b) Convertible bonds 2 (the “CB2”)

As part of the consideration for the acquisition of Jun Feng and its subsidiaries on 24 October 2011, the Group issued the CB2 with a principal amount of HK\$10,000,000. The CB2 bears zero coupon interest and has a maturity period of three years from the issue date to 23 October 2014. Any CB2 not converted will be redeemed on 23 October 2014 at 100% of their principal amount. The Company may at any time before 23 October 2014 by serving at least ten days' prior written notice on the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the CB2 (in whole or in part). This option of the Company as the issuer of the convertible bonds is referred to as the Put Option.

The CB2 entitles the bondholder to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK\$0.145, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivative issued.

Details of the CB2 are set out in the Company's announcement dated 28 September 2011.

The CB2 contains three components, a Put Option, a liability component and an equity component. The equity component is presented in equity as part of the “convertible bonds reserve”. The effective interest rate of the liability component for the CB2 is 8.5% per annum. The Put Option is measured at fair value with changes in fair value recognised in the profit or loss.

During the year ended 31 March 2013, CB2 were converted into ordinary shares (note 39(b)).



# Notes to the Financial Statements

For the year ended 31 March 2014

## 34. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (b) Convertible bonds 2 (the “CB2”) (Continued)

	Put Option HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
<b>(Asset)/liability/equity</b>				
At 1 April 2012	(2,733)	8,090	7,700	13,057
Effective interest expense recognised	–	159	–	159
Transfer to equity upon conversion	–	(8,249)	(7,700)	(15,949)
Fair value loss	2,733	–	–	2,733
<b>(Asset)/liability/equity at 31 March 2013</b>	–	–	–	–

The Put Option is measured at its fair value at the date of issue, dates of conversion and at the end of each reporting period. The fair value is estimated using binomial option pricing model. The key assumptions used are as follows:

	Date of conversion			
	29 August 2012	31 May 2012	31 March 2012	24 October 2011
Share price of the Company	HK\$0.162	HK\$0.186	HK\$0.225	HK\$0.176
Expected volatility	67%	85%	91%	101%
Expected life	2.15 Years	2.4 Years	2.57 Years	3 Years
Risk free rate	0.17%	0.3%	0.32%	0.48%

### (c) Convertible bonds 3 (the “CB3”)

As part of the consideration for the acquisition of ETC (details of the acquisition are set out in note 42(c) to the financial statements) completed on 10 September 2012, the Group issued the CB3 with total principal amount of HK\$23,400,000 on 10 October 2012. The CB3 bears zero coupon interest and have a maturity period of three years from the issue date to 9 October 2015. Any CB3 not converted will be redeemed on 9 October 2015. Other principal term of the CB3 are set out below:

- (i) the CB3 were divided into two tranches of bonds. The first tranche bonds with aggregate principal amount of HK\$11,700,000 shall be convertible by the bondholders from the date falling six months from the date of issue up to the maturity date on 9 October 2015. The second tranche bonds with aggregate principal amount of HK\$11,700,000 shall be convertible by the bondholders from the date falling on the first anniversary from the date of issue of the second bonds up to the maturity date.
- (ii) The Company may at any time before 9 October 2015 by serving at least ten days' prior written notice on the bondholders with the total amount proposed to be converted by the bondholders specified therein, redeem the CB3 (in whole or in part) within 3 days once the average of the closing price per share as quoted on the Stock Exchange for the preceding 20 consecutive trading days exceeds 120% of the Conversion Price. This option of the Company as the issuer of convertible bonds is referred to as the Mandatory Conversion Option.

The CB3 entitles the bondholders to convert the bonds into new ordinary shares of the Company at conversion price of HK\$0.25, subject to any anti-dilution adjustments and certain events such as share consideration, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued.

Details of the CB3 are set out in the Company's announcement dated 15 March 2012.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 34. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (c) Convertible bonds 3 (the “CB3”) (Continued)

The CB3 contains three components, a Mandatory Conversion Option, a liability component and an equity component. The equity component is presented in equity as part of the “convertible bonds reserve”. The effective interest rate of the liability component for the CB3 is 10.3% per annum. The Mandatory Conversion Option is measured at fair value with changes in fair value recognised in the profit or loss.

	Mandatory Conversion Option HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
<b>(Asset)/liability/equity</b>				
At 1 April 2013	(378)	18,294	7,636	25,552
Fair value gain	(562)	–	–	(562)
Effective interest expense recognised	–	1,884	–	1,884
<b>(Asset)/liability/equity at 31 March 2014</b>	<b>(940)</b>	<b>20,178</b>	<b>7,636</b>	<b>26,874</b>
<b>(Asset)/liability/equity</b>				
at issue date	(1,098)	17,442	7,636	23,980
Fair value loss	720	–	–	720
Effective interest expense recognised	–	852	–	852
<b>(Asset)/liability/equity at 31 March 2013</b>	<b>(378)</b>	<b>18,294</b>	<b>7,636</b>	<b>25,552</b>

The directors estimate the fair value of the liability component of the CB3 at 31 March 2014 to be approximately HK\$21,060,000 (2013: HK\$18,866,000). The fair value has been calculated by discounting the future cash flows at the market rate (level 2 fair value measurements).

The Mandatory Conversion Option is measured at its fair value at the date of issue and at the end of each reporting period. The fair value is estimated using binomial option pricing model. The key assumptions used are as follows:

	31 March 2014	31 March 2013	Date of issue
Share price of the Company	HK\$0.209	HK\$0.149	HK\$0.176
Expected volatility	54%	61%	84%
Expected life	1.53 years	2.53 years	3 years
Risk free rate	0.32%	0.15%	0.28%

# Notes to the Financial Statements

For the year ended 31 March 2014

## 34. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (d) Convertible bonds 4 (the “CB4”)

On 22 October 2013, as part of the consideration for the acquisition of Best Worldwide Corporation Limited and its subsidiaries (details of the acquisition are set out in note 42(a) to the financial statements), the Company issued the CB4 with a principal amount of HK\$85,688,000. The CB4 bears 4% interest per annum and has a maturity period of two years from the issue date to 21 October 2015. Any CB4 not converted will be redeemed on 21 October 2015. Other principal terms of the CB4 are set out below:

- (i) The Company may at any time after the first anniversary of the date of issue of the CB4 to 21 October 2015 by serving at least ten days' prior written notice on the bondholders with the total amount proposed to be redeemed from the bondholders specified therein, redeem the CB4 (in whole or in part). This option of the Company as the issuer of the convertible bonds is referred to as the Put Option.
- (ii) The bondholders may at any time after the first anniversary of the date of issue of the CB4 to 21 October 2015 by serving at least three months' prior written notice on the Company with the total amount proposed to be redeemed by the Company specified therein, require the Company to redeem the CB4 (in whole or in part). This option of the convertible bondholder is referred to as the Call Option.

The CB4 entitles the bondholders to convert the bonds into new ordinary shares of the Company at conversion price of HK\$0.098, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued.

Details of the CB4 are set out in the Company's announcement dated 30 May 2013.

The CB4 contains four components, a Put Option, a Call Option, a liability component and an equity component. The equity component is presented in equity as part of the “convertible bonds reserve”. The effective interest rate of the liability component for the CB4 is 6.38% per annum. The Put Option and Call Option are measured at fair value with changes in fair value recognised in the profit or loss.

	Put Option HK\$'000	Call Option HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
<b>(Asset)/liability/equity</b>					
At issue date	(8,105)	101	82,070	110,957	185,023
Fair value loss/(gain)	4,224	(71)	–	–	4,153
Effective interest expense recognised	–	–	2,255	–	2,255
<b>(Asset)/liability/equity at 31 March 2014</b>	<b>(3,881)</b>	<b>30</b>	<b>84,325</b>	<b>110,957</b>	<b>191,431</b>

The interest charged for the year is calculated by applying an effective interest rate of 6.38% to the liability component for 5 months period since CB4 were issued.

Interest of the CB4 shall be payable semi-annually in arrears with the first interest payment for the CB4 to be made on the date falling six months from the date of issue of the CB4 and thereafter on the last day of each successive six-month period.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 34. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (d) Convertible bonds 4 (the “CB4”) (Continued)

The directors estimate the fair value of the liability component of the CB4 as at 31 March 2014 to be approximately HK\$83,413,000. The fair value has been calculated by discounting the future cash flows at the market rate (level 2 fair value measurements).

The Put Option and Call Option are measured at their fair values at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model. The key assumptions used are as follows:

	31 March 2014	Date of issue
Share price of the Company	HK\$0.209	HK\$0.212
Expected volatility	55%	62%
Expected life	1.56 years	2 years
Risk free rate	0.32%	0.27%
Coupon rate (annual)	4%	4%

## 35. FINANCE LEASE PAYABLES – GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	491	784	479	756
In the second to fifth years, inclusive	–	–	–	–
	491	784	479	756
Less: Future finance charges	(12)	(28)	–	–
Present value of lease obligations	479	756	479	756
Less: Amount due for settlement within 12 months (shown under current liabilities)			(479)	(756)
Amount due for settlement after 12 months			–	–

# Notes to the Financial Statements

For the year ended 31 March 2014

## 35. FINANCE LEASE PAYABLES – GROUP (Continued)

It is the Group's policy to lease its motor vehicle under finance leases. The average lease term is 4 years. As at 31 March 2014, the average effective borrowing rate was 2.75% (2013: 2.75%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at nominal prices.

All finance lease payables are denominated in HK\$.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

## 36. LONG TERM BONDS – GROUP AND COMPANY

	2014 HK\$'000	2013 HK\$'000
Unsecured long term bonds, repayable: After five years	40,000	–

Long term bonds of the Group and Company as at 31 March 2014 comprised:

- (i) Long term bonds with an aggregate principal amount of HK\$20,000,000 issued by the Company to certain investors on 3 April 2013 and 20 June 2013 pursuant to the subscription agreement dated 18 February 2013, of which (i) HK\$10,000,000 is due on 2 April 2020 and bears interest at the rate of 5% per annum, and (ii) HK\$10,000,000 is due on 20 June 2020 and bears interest at the rate of 5% per annum; and
- (ii) Long term bonds with an aggregate principal amount of HK\$20,000,000 issued by the Company to certain investors on 5 September 2013 pursuant to the subscription agreement dated 29 August 2013 which is due on 4 September 2020 and bears interest at the rate of 5% per annum.

The long term bonds will mature on the date falling on the seventh anniversary of the date of first issue of the long term bonds.

The effective interest rate of the long term bonds is approximately 5.12% per annum.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 37. DEFERRED TAX – GROUP

The followings are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the year:

	Revaluation of leasehold properties HK\$'000
At 1 April 2012	–
Acquisition of ETC (note 42(c))	184
Credit to profit or loss for the year (note 11)	(2)
At 31 March 2013 and 1 April 2013	182
Credit to profit or loss for the year (note 11)	(4)
<b>At 31 March 2014</b>	<b>178</b>

At the end of the reporting period, the Group has unused tax losses of approximately HK\$31,413,000 (2013: HK\$33,208,000) available for offset against future profits. No deferred tax asset has been recognised in 2014 and 2013 due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$3,324,000 (2013: HK\$3,473,000) that will expire within 5 years. Other tax losses may be carried forward indefinitely.

## 38. RETIREMENT BENEFIT SCHEMES – GROUP

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% and employees are required to make 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$25,000 since 1 June 2012. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans (“Plans”) organised by local authorities for the Group’s employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 39. SHARE CAPITAL – GROUP AND COMPANY

	2014 HK\$'000	2013 HK\$'000
Authorised: 40,000,000,000 (2013: 4,000,000,000) ordinary shares of US\$0.001 (2013: US\$0.01) each	312,000	312,000
Issued and fully paid: 2,001,028,936 (2013: 1,371,388,373) ordinary shares of US\$0.001 (2013: US\$0.01) each	15,659	107,019

A summary of the movements in the Company's authorised and issued share capital during the year is as follows:

	Ordinary shares of US\$0.001 each		Authorised Ordinary shares of US\$0.01 each	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
At 1 April 2012	–	–	2,000,000,000	156,000
Increase of authorised share capital (note h)	–	–	2,000,000,000	156,000
At 31 March 2013 and 1 April 2013	–	–	4,000,000,000	312,000
Capital reduction (note f)	40,000,000,000	312,000	(4,000,000,000)	(312,000)
At 31 March 2014	40,000,000,000	312,000	–	–

# Notes to the Financial Statements

For the year ended 31 March 2014

## 39. SHARE CAPITAL – GROUP AND COMPANY (Continued)

	Ordinary shares of US\$0.001 each		Issued and fully paid Ordinary shares of US\$0.01 each	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
At 1 April 2012	–	–	1,178,134,856	91,946
Shares issued upon placement (note a)	–	–	124,288,000	9,694
Shares issued upon conversion of convertible bonds (note b)	–	–	68,965,517	5,379
At 31 March 2013 and 1 April 2013	–	–	1,371,388,373	107,019
Shares issued upon conversion of convertible bonds (note c)	–	–	101,226,993	7,896
Shares issued upon placement (note d)	–	–	438,524,000	34,205
Shares issued upon the exercise of share options (note e)	–	–	4,000,000	312
Capital reduction (note f)	1,915,139,366	14,989	(1,915,139,366)	(149,432)
Shares issued upon conversion of convertible bonds (note g)	85,889,570	670	–	–
<b>At 31 March 2014</b>	<b>2,001,028,936</b>	<b>15,659</b>	<b>–</b>	<b>–</b>

*Note:*

- (a) On 26 November 2012, the Company entered into a placing and subscription agreement with a placing agent and a substantial shareholder of the Company for the placing of up to an aggregate of 124,288,000 existing shares held by the substantial shareholder to not less than six independent placees at a placing price of HK\$0.155 per placing share and the subscription of up to 124,288,000 new ordinary shares of US\$0.01 each by the substantial shareholders at a subscription price of HK\$0.155 per subscription share. All 124,288,000 placing and subscription shares were placed and subscribed and the placement and subscription was completed on 7 December 2012. The premium on the issue of shares, amounting to approximately HK\$9,570,000 (before any transaction cost) was credited to the Company's share premium account.
- (b) During the year ended 31 March 2013, principal amount of HK\$10,000,000 convertible bonds ("CB2") were converted into ordinary share at a conversion price of HK\$0.145 per share, resulting in an issue of 68,965,517 new ordinary shares of US\$0.01 each and new share capital of approximately HK\$5,379,000 and share premium of approximately HK\$4,621,000, together with a release of the convertible bonds reserve amounting to approximately HK\$5,949,000 credited to the share premium account. Details of convertible bonds movements during the year are set out in note 34(b) to the financial statements.



# Notes to the Financial Statements

For the year ended 31 March 2014

## 39. SHARE CAPITAL – GROUP AND COMPANY (Continued)

*Note: (Continued)*

- (c) On 14 January 2014, principal amount of HK\$16,500,000 convertible bonds (“CB1”) with carrying amount of HK\$16,085,000 at conversion date were converted into ordinary share at a conversion price of HK\$0.163 per share, resulting in an issue of 101,226,993 new ordinary shares of US\$0.01 each and new share capital of approximately HK\$7,896,000 and share premium of approximately HK\$8,189,000, together with a release of the convertible bonds reserve amounting to approximately HK\$4,678,000 credited to the share premium account. Details of convertible bonds movements during the year are set out in note 34(a) to the financial statements.

- (d) On 5 June 2013, the Company entered into a conditional placing and subscription agreement with a placing agent and a substantial shareholder of the Company for the placing of up to an aggregate of 274,000,000 existing shares held by the substantial shareholder to not less than six independent placees at a placing price of HK\$0.085 per placing share and the subscription of up to 274,000,000 new ordinary shares of US\$0.01 each by the substantial shareholder at a subscription price of HK\$0.085 per subscription share. Details of the transaction are set out in the Company’s announcement dated 5 June 2013. All 274,000,000 placing and subscription shares were placed and subscribed and the placement and subscription was completed on 18 June 2013. The premium on the issue of shares, amounting to approximately HK\$1,918,000 (before any transaction cost) was credited to the Company’s share premium account.

On 30 August 2013, the Company entered into a placing agreement with a placing agent for the placing of up to 164,528,000 new ordinary shares of US\$0.01 each to not less than six independent placees at a price of HK\$0.179 per placing share. 164,524,000 placing shares were placed and the placement was completed on 18 October 2013. The premium on the issue of shares, amounting to approximately HK\$16,617,000 (before any transaction cost) was credited to the Company’s share premium account.

- (e) During the year ended 31 March 2014, 4,000,000 share options were exercised at exercise price HK\$0.14 per share and HK\$0.15 per share, resulting in an issue of 4,000,000 new ordinary shares of US\$0.01 each and new share capital of approximately HK\$312,000 and share premium of approximately HK\$258,000, together with a release of the share-based payments reserve amounting to approximately HK\$287,000 credited to the share premium account. Details of share options outstanding and movements during the year are set out in note 41 to the financial statements.
- (f) Pursuant to a special resolution passed on 12 August 2013 and an order confirm of the capital reduction granted by the court from Cayman Islands on 27 February 2014, the nominal value of each of the Company’s issued share was reduced from US\$0.01 to US\$0.001 each by cancelling the paid-up capital to the extent of US\$0.009 on each issued share and the existing issued share capital of HK\$149,432,000 was reduced by HK\$134,443,000 to HK\$14,989,000 comprising 1,915,139,366 shares of US\$0.001 each with effect from 28 February 2014. As a result, an amount of HK\$134,443,000 was credited to accumulated losses.

Upon the completion of capital reduction effective on 28 February 2014, the number of authorised shares of the Company was increased from 4,000,000,000 ordinary shares of US\$0.01 each to 40,000,000,000 ordinary shares of US\$0.001 each. Each share ranks *pari passu* in all respects.

- (g) On 13 March 2014, principal amount of HK\$14,000,000 convertible bonds (“CB1”) with carrying amount of HK\$13,794,000 at conversion date were converted into ordinary shares at a conversion price of HK\$0.163 per share, resulting in an issue of 85,889,570 new ordinary shares of US\$0.001 each and new share capital of approximately HK\$670,000 and share premium of approximately HK\$13,124,000 together with a release of the convertible bonds reserve amounting to approximately HK\$3,969,000 credited to the share premium account. Details of convertible bonds movements during the year are set out in note 34(a) to the financial statements.
- (h) By an ordinary resolution passed on 25 March 2013 the authorised ordinary share capital of the Company was increased from HK\$156,000,000 to HK\$312,000,000 by the creation of 2,000,000,000 shares of US\$0.01 each, such new shares ranking *pari passu* in all respects with the existing shares of the Company.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 39. SHARE CAPITAL – GROUP AND COMPANY (Continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained profits and other reserves).

	2014 HK\$'000	2013 HK\$'000
Debt (a)	281,901	180,637
Less: Bank and cash balances	(33,373)	(15,821)
Pledged bank deposits	(19,383)	(16,636)
Net debt	229,145	148,180
Equity (b)	113,884	69,011
Net debt to equity ratio	201%	215%

(a) Debt is defined as promissory notes, bank and other loans, liability components of convertible bonds, financial lease payables and long term bonds, as detailed in notes 32, 33, 34, 35 and 36 to the financial statements.

(b) Equity includes all capital and reserves before non-controlling interests of the Group.

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible.

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.

## 40. 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.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 40. RESERVES (Continued)

### (b) Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share-based payments reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2012	58,499	16,375	2,943	1,213	7,400	17,056	(87,400)	16,086
Loss for the year	-	-	-	-	-	-	(61,025)	(61,025)
Issue of convertible bonds on acquisition of a subsidiary	-	-	-	-	-	7,636	-	7,636
Shares issued upon conversion of convertible bonds	10,570	-	-	-	-	(7,700)	-	2,870
Transactions costs attributable to issue of new shares	(327)	-	-	-	-	-	-	(327)
Recognition of share-based payments	-	-	-	7,033	-	-	-	7,033
Shares issued upon placing	9,570	-	-	-	-	-	-	9,570
Changes in equity for the year	19,813	-	-	7,033	-	(64)	(61,025)	(34,243)
At 31 March 2013	78,312	16,375	2,943	8,246	7,400	16,992	(148,425)	(18,157)
At 1 April 2013	78,312	16,375	2,943	8,246	7,400	16,992	(148,425)	(18,157)
Loss for the year	-	-	-	-	-	-	(203,431)	(203,431)
Issue of convertible bonds on acquisition of subsidiaries	-	-	-	-	-	110,957	-	110,957
Shares issued upon conversion of convertible bonds	29,960	-	-	-	-	(8,647)	-	21,313
Transactions costs attributable to issue of new shares	(1,983)	-	-	-	-	-	-	(1,983)
Capital reduction	-	-	-	-	-	-	134,443	134,443
Recognition of share-based payments	-	-	-	2,024	-	-	-	2,024
Share issued upon exercise of share options	545	-	-	(287)	-	-	-	258
Forfeiture of share options	-	-	-	(195)	-	-	195	-
Shares issued upon placement	18,535	-	-	-	-	-	-	18,535
Changes in equity for the year	47,057	-	-	1,542	-	102,310	(68,793)	82,116
At 31 March 2014	125,369	16,375	2,943	9,788	7,400	119,302	(217,218)	63,959

# Notes to the Financial Statements

For the year ended 31 March 2014

## 40. RESERVES (Continued)

### (c) Nature and purpose of reserves

#### (i) *Share premium account*

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) *Contributed surplus*

The contributed surplus represents the difference between the net asset value of a subsidiary acquired and the nominal value of the ordinary shares issued by the Company in connection with an acquisition.

#### (iii) *Capital redemption reserve*

The capital redemption reserve arose when the Company repurchased 37,742,300 ordinary shares of US\$0.01 each from a former director of the Company on 4 September 2001.

#### (iv) *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 policies set out in note 3(d) to the financial statements.

#### (v) *Share-based payments reserve*

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(x) to the financial statements.

#### (vi) *Warrant reserve*

The warrant reserve represents the fair value of warrants with issued amount of HK\$2,000,000 issued by the Company as part of the purchase consideration for the acquisition of subsidiaries on 3 June 2011. Each warrant entitles the holder thereof to subscribe for one ordinary share at a subscription price of HK\$0.222 per share on or after one year after issue date until three years after the issue date. The subscription price was adjusted to HK\$0.150 per share due to the completion of open offer on 20 June 2011. At the end of the reporting period the Company had 148,000,000 warrants outstanding not exercised.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 40. RESERVES (Continued)

### (c) Nature and purpose of reserves (Continued)

#### (vii) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds set out in note 3(r) to the financial statements.

## 41. SHARE-BASED PAYMENTS

The Company operates a Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”) and a Share Option Scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Pre-IPO Share Option Scheme and the Share Option Scheme became effective on 27 March 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

On 25 March 2013, an ordinary resolution was passed to terminate the Share Option Scheme due to its expiry. A new share option scheme (the “New Share Option Scheme”) is adopted to replace the Share Option Scheme. The New Share Option Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options permitted to be granted under all share option schemes are a number equivalent, upon their exercise, to 10% of the shares of the Company on grant date. The maximum number of shares issuable under all share options to each eligible participant in all share options schemes within any 12-month period, is limited to 1% of the shares of the Company on grant date. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting. As at 31 March 2014, the Pre-IPO Share Option Scheme already expired and no share permitted to be granted.

The share options granted to director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company on grant date or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 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

## 41. SHARE-BASED PAYMENTS (Continued)

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

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

### (a) Pre-IPO Share Option Scheme

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$
2003A	27.3.2003	9.5.2003 to 8.5.2004	9.5.2004 to 8.5.2013	0.091
2007A	9.2.2007	9.2.2007 to 8.2.2008	9.2.2008 to 8.2.2017	0.078
2008A	12.2.2008	12.2.2008 to 11.2.2009	12.2.2009 to 11.2.2018	0.152

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

	2014		2013	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of year	414,647	0.094	414,647	0.094
Lapsed	(376,952)	0.091	—	—
Outstanding at end of year	37,695	0.127	414,647	0.094
Exercisable at end of year	37,695	0.127	414,647	0.094

# Notes to the Financial Statements

For the year ended 31 March 2014

## 41. SHARE-BASED PAYMENTS (Continued)

### (a) Pre-IPO Share Option Scheme (Continued)

No share option has been exercised during the year (2013: Nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 3.53 years (2013: 0.51 years) and the exercise prices range from HK\$0.078 to HK\$0.152 (2013: HK\$0.078 to HK\$0.152).

### (b) Share Option Scheme

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$
2010A	17.2.2010	17.2.2010 to 16.2.2011	17.2.2011 to 16.2.2020	0.107
2012A	29.6.2011	N/A	29.6.2011 to 28.6.2021	0.140

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

	2014		2013	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of year	18,814,126	0.139	18,814,126	0.139
Lapsed	(3,000,000)	0.140	—	—
Exercised	(3,000,000)	0.140	—	—
Outstanding at end of year	12,814,126	0.139	18,814,126	0.139
Exercisable at end of year	12,814,126	0.139	18,814,126	0.139

# Notes to the Financial Statements

For the year ended 31 March 2014

## 41. SHARE-BASED PAYMENTS (Continued)

### (b) Share Option Scheme (Continued)

The weighted average share price at the date of exercise for share options exercised during the year 2014 was HK\$0.230 (2013: Nil). 3,000,000 (2013: Nil) share options have been exercised during the year ended 31 March 2014. The options outstanding at the end of the year have a weighted average remaining contractual life of 7.22 years (2013: 8.22 years) and the exercise prices range from HK\$0.107 to HK\$0.140 (2013: HK\$0.107 to HK\$0.140). During the years ended 31 March 2013, no share options were granted. The Share Option Scheme has been terminated on 25 March 2013.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

### (c) New Share Option Scheme

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$
2013A	28.3.2013	N/A	28.3.2013 to 27.3.2023	0.150

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

	2014		2013	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of year	98,450,000	0.150	–	–
Exercised	(1,000,000)	0.150	–	–
Granted	–	–	98,450,000	0.150
Outstanding at end of year	97,450,000	0.150	98,450,000	0.150
Exercisable at end of year	97,450,000	0.150	76,450,000	0.150



# Notes to the Financial Statements

For the year ended 31 March 2014

## 41. SHARE-BASED PAYMENTS (Continued)

### (c) New Share Option Scheme (Continued)

1,000,000 (2013: Nil) share options have been exercised during the year ended 31 March 2014. The options outstanding at the end of the year have a weighted average remaining contractual life of 8.99 years (2013: 9.99 years) and the exercise price was HK\$0.150 (2013: HK\$0.150). During the year, no options were granted.

During the year ended 31 March 2013, 98,450,000 options were granted on 28 March 2013. The estimated fair value of the options on that date was approximately HK\$7,033,000.

The fair value was calculated using the binomial option pricing model at 28 March 2013. The inputs into the model are as follows:

	28 March 2013
Share price of the Company	HK\$0.149
Exercise price	HK\$0.150
Expected volatility	75%
Expected life	10 years
Risk free rate	1.12%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over previous years.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

### (d) Other Options

On 4 September 2001, options were granted to a former director of the Company to subscribe for 3,000,000 shares in the Company at an exercise price of HK\$0.078 (equivalent to US\$0.01) per share. These options are exercisable upon the listing of the Company's shares on the Stock Exchange. These options have been lapsed in May 2013.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Acquisition of Best Worldwide and its subsidiaries

On 22 October 2013, the Group acquired 70% of the issued share capital of Best Worldwide and its subsidiaries (collectively known as "Best Worldwide Group"). Details of the acquisition were set out in the Company's announcements dated 30 May 2013, 31 May 2013 and 11 October 2013 and the Company's circular dated 25 September 2013. Best Worldwide and its subsidiaries are investment holding companies. The principal asset of Best Worldwide Group is the investment in an associate, Zhongyu. The associate is principally engaged in properties development in the PRC. The consideration for the acquisition was satisfied by cash of HK\$25,000,000 and convertible bonds with principal amount of HK\$85,688,000.

The fair value of identifiable assets and liabilities of Best Worldwide Group acquired as at the date of acquisition is as follows:

	HK\$'000
Net assets acquired:	
Due from former shareholders	18,755
Bank and cash balances	54
Due to a fellow subsidiary	(9,936)
Due to former related parties	(2,877)
Interest in an associate	241,814
Non-controlling interests	(37,787)
	210,023
Satisfied by:	
Cash	25,000
Convertible bonds at fair value	185,023
	210,023
Net cash outflow arising on acquisition:	
Cash paid	(25,000)
Cash and cash equivalents acquired	54
	(24,946)

# Notes to the Financial Statements

For the year ended 31 March 2014

## 42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Acquisition of Mads

As at 1 April 2013, the Group had 38% of the issued share capital in an associate, Mads. On 29 August 2013, the Group obtained control of Mads by further acquiring 23.5% of the issued share capital of Mads for nil consideration. Mads was principally engaged in technology information and media electronic during the year. The acquisition is for the purpose of strengthening the mobile data solution business in Macau.

The fair value of the identifiable assets and liabilities of Mads acquired as at the date of acquisition is as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	23
Other receivables	16
Bank and cash balances	250
Other payables	(309)
Total net identifiable liabilities	(20)
Non-controlling interests	8
Goodwill arising on acquisition ( <i>note 20</i> )	12
	—
Satisfied by:	
Cash	—
Total consideration transferred	—
Fair value of 38% equity interests in Mads	—
Fair value of consideration	—
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Cash and cash equivalents acquired	250
	250

# Notes to the Financial Statements

For the year ended 31 March 2014

## 42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Acquisition of Mads (Continued)

The fair value of the other receivables acquired is HK\$16,000. The gross amount due under the contracts is HK\$16,000, of which nil is expected to be uncollectible.

The Group did not recognise any gain or loss as a result of measuring at fair value its 38% equity interests in Mads held before the business combination. The directors considered that the carrying amounts of the assets and liabilities held by Mads approximate their fair values as at the acquisition date. There is no material difference between the carrying amounts and the fair value and therefore no gain or loss could be recognised in the profit or loss.

The goodwill arising on the acquisition of Mads is attributable to the anticipated profitability of the distribution of the Group's mobile data solution services in Macau and the anticipated future operating synergies from the combination.

Mads contributed approximately HK\$10,000 and HK\$11,000 to the Group's turnover and loss for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2013, total Group turnover for the year would have been HK\$982,886,000, and loss for the year would have been HK\$149,434,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2013, nor is intended to be a projection of future results.

### (c) Acquisition of ETC

On 10 September 2012, the Group acquired 75% of the entire issued share capital of ETC. ETC is principally engaged in trading of electronic parts and components. The consideration for the acquisition was satisfied by cash of HK\$10,400,000, convertible bonds with principal amount of HK\$23,400,000 and promissory notes with principal amount of HK\$5,200,000. The acquisition was for the purpose of diversifying existing business through horizontal integration.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (c) Acquisition of ETC (Continued)

The fair value of identifiable assets and liabilities of ETC acquired as at the date of acquisition is as follows:

	HK\$'000
Property, plant and equipment	5,313
Inventories	20,851
Trade and other receivables	88,252
Pledged bank deposits	14,994
Bank and cash balances	5,243
Trade and other payables	(41,964)
Bank loans	(85,233)
Current tax liabilities	(367)
Deferred tax liabilities	(184)
<b>Total net identifiable assets</b>	<b>6,905</b>
Non-controlling interests	(1,726)
	<b>5,179</b>
Goodwill arising on acquisition ( <i>note 20</i> )	24,911
	<b>30,090</b>
Satisfied by:	
Cash	10,400
Convertible bonds at fair value	23,980
Promissory notes	5,200
<b>Total consideration paid</b>	<b>39,580</b>
Less: Call options at fair value	(9,490)
<b>Fair value of consideration</b>	<b>30,090</b>
Net cash outflow arising on acquisition:	
Cash consideration paid	10,400
Cash and cash equivalents acquired	(5,243)
	<b>5,157</b>

# Notes to the Financial Statements

For the year ended 31 March 2014

## 42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (c) Acquisition of ETC (Continued)

The fair value of the trade and other receivables acquired is HK\$88,252,000. The gross amount due under the contracts is HK\$88,252,000, of which nil is expected to be uncollectible.

The goodwill arising on the acquisition of ETC is attributable to the anticipated profitability of the distribution of the Group's products in the new markets.

ETC contributed approximately HK\$494,677,000 and HK\$6,973,000 to the Group's turnover and profit or loss for the year ended 31 March 2013 respectively for the period between the date of acquisition and 31 March 2013.

If the acquisition had been completed on 1 April 2012, total Group turnover for the year ended 31 March 2013 would have been HK\$758,667,000, and loss for the year ended 31 March 2013 would have been HK\$69,137,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2012, nor is intended to be a projection of future results.

### (d) Major non-cash transaction

Included in the additions of property, plant and equipment was an amount of approximately HK\$861,000 (2013: HK\$Nil) which was transferred from prepayments for property, plant and equipment.

During the year ended 31 March 2013, the purchase of an investment property of approximately HK\$4,250,000 was financed by a mortgage loan.

## 43. CONTINGENT LIABILITIES

ETC entered into a guarantee agreement with a bank providing a guarantee with respect to a mortgage loan granted by the bank to a related party of ETC since 2011, of which HK\$2,654,000 (2013: HK\$2,762,000) have been outstanding as at 31 March 2014. Under the guarantee agreement, ETC would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. As at 31 March 2014, no provision for ETC's obligation under the guarantee agreement has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

The fair value of the guarantee at date of inception is not material and is not recognised in the financial statements.

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

# Notes to the Financial Statements

For the year ended 31 March 2014

## 44. OPERATING LEASE COMMITMENTS

### The Group as lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for an average term of one to five years. The terms of the leases generally provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:–

	Group	
	2014 HK\$'000	2013 HK\$'000
Within one year	1,635	990
In the second to fifth years inclusive	1,217	160
	<b>2,852</b>	<b>1,150</b>

At 31 March 2014 the total future minimum sublease payments expected to be received under non-cancellable subleases amounted to HK\$2,692,000 (2013: Nil).

### The Group as lessee

As at 31 March 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Within one year	5,448	3,167
In the second to fifth years inclusive	7,352	4,187
	<b>12,800</b>	<b>7,354</b>

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 45. CAPITAL COMMITMENTS

The Group's capital commitments in respect of purchase of property, plant and equipment at the end of the reporting period are as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for	–	822

## 46. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2014 HK\$'000	2013 HK\$'000
Interest income from an associate	–	150

## 47. EVENT AFTER THE REPORTING PERIOD

As set out in note 23(d), on 5 May 2014, the Group entered into an agreement with a third party to dispose its 33.33% equity interest in Jun Feng at a consideration of HK\$333,000.

## 48. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2014.



## Five Fiscal Years Financial Summary

### RESULTS

	For the year ended 31 March				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	982,636	531,611	31,602	24,425	18,134
Loss before taxation	(148,010)	(68,742)	(26,862)	(5,092)	(671)
Taxation	(1,447)	(1,434)	–	(69)	(8)
Loss for the year	(149,457)	(70,176)	(26,862)	(5,161)	(679)
Non-controlling interests	(251)	1,327	(200)	34	–
Loss attributable to equity holders of the Company	(149,206)	(71,503)	(26,662)	(5,195)	(679)

### ASSETS AND LIABILITIES

	At 31 March				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Total assets	597,056	416,575	170,821	48,935	31,151
Total liabilities and Non-controlling interests	(483,172)	(347,564)	(72,232)	(6,619)	(4,266)
Total equity	113,884	69,011	98,589	42,316	26,885