



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

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

2014/15
ANNUAL REPORT

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

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This report, for which the directors (the “Directors”) of China Communication Telecom Services Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Chenguang (*Chairman*)

Mr. Bao Yueqing (*Chief Executive Officer*)

Independent Non-Executive Directors

Mr. Yip Tai Him

Ms. Han Liqun

Ms. Zhang Li

COMPANY SECRETARY

Ms. Hung Yee Ling, *CPA, FCCA*

COMPLIANCE OFFICER

Mr. Bao Yueqing

AUDIT COMMITTEE

Mr. Yip Tai Him (*Chairman*)

Ms. Han Liqun

Ms. Zhang Li

REMUNERATION COMMITTEE

Mr. Yip Tai Him (*Chairman*)

Ms. Han Liqun

Ms. Zhang Li

NOMINATION COMMITTEE

Mr. He Chenguang (*Chairman*)

Mr. Yip Tai Him

Ms. Han Liqun

Ms. Zhang Li

AUTHORISED REPRESENTATIVES

Mr. Bao Yueqing

Ms. Hung Yee Ling, *CPA, FCCA*

AUDITORS

RSM Nelson Wheeler

29th Floor Caroline Centre

Lee Gardens Two

28 Yun Ping Road

Hong Kong

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Rooms 1712–1716

17th Floor

Hopewell Centre

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Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

www.ccpi.com.hk

GEM STOCK CODE

8206

Financial Highlights

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

CONSOLIDATED RESULTS

	Year ended 31 March				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover					
Continuing operations	38,484	38,865	34,495	33,102	30,373
Discontinued operation	–	–	–	–	299
	38,484	38,865	34,495	33,102	30,672
(Loss)/profit before taxation	(8,269)	(6,723)	(13,524)	162,332	(245,400)
Taxation	(1,602)	(2,390)	(746)	1,454	50,483
(Loss)/profit attributable to owners	(9,871)	(9,113)	(14,270)	163,794	(194,505)
Basic (loss)/earnings per share (HK cent)	(0.76)	(0.70)	(1.19)	13.71	(16.28)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	61,254	69,344	75,549	60,831	91,942
Total liabilities	115,479	(113,406)	(110,888)	(113,945)	(300,635)
Net liabilities	(54,225)	(44,062)	(35,339)	(53,114)	(208,693)
Net liabilities per share (HK cent)	(4.19)	(3.40)	(2.73)	(4.45)	(17.47)

Chairman's Statement

On behalf of the board of the Directors (the "Board"), I am pleased to present the audited consolidated results of China Communication Telecom Services Company Limited (the "Company", together with its subsidiary companies, collectively the "Group") for the year ended 31 March 2015.

FINANCIAL PERFORMANCE

The Group recorded consolidated total revenue of approximately HK\$38,484,000 for the year ended 31 March 2015, representing a slight decrease of approximately 0.98% as compared to approximately HK\$38,865,000 for the year ended 31 March 2014. The revenue for the year ended 31 March 2015 was attributable to the provision of promotion and management services for an electronic smart card "Shentong Card" in the People's Republic of China (the "PRC").

The Group made a net loss attributable to owners of the Company of approximately HK\$9,871,000 for the year ended 31 March 2015 as compared to approximately HK\$9,113,000 for the year ended 31 March 2014. The increase was mainly attributable to the slight decrease in revenue of Shentong Card and the increase in staff costs and rental expenses for the year.

BUSINESS REVIEW

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

The total online payment market in the PRC has been maintaining at a rapid growth in recent years. Besides, according to China Internet Network Information Center, online payment customers in the PRC have reached approximately 304 million in December 2014, with an increase of approximately 17.0% compared to that at December 2013. The utilization rate has also increased from 42.1% to 46.9%. The Group considered that Shentong Card enabled the Group to expose to the fast growing online payment gateway services business in the PRC.

This business has developed favorably during the years since the acquisition of Yijia. For the year of 2014/15, due to the change in advertising and promotion strategy for the promotion of Shentong Card, the consolidated revenue from the promotion and management services for Shentong Card has decreased in the second half of 2014/15 but the annual consolidated revenue has maintained steadily with only a slight decrease of approximately 0.98%.

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

Provision of promotion and management services

For the year ended 31 March 2015, the revenue derived from the promotion and management services was approximately HK\$38,484,000 as compared to approximately HK\$38,865,000 for the year ended 31 March 2014.

[#] English name is for identification purpose only

Chairman's Statement

APPRECIATION

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

He Chenguang

Chairman

Hong Kong, 17 June 2015

Management Discussion and Analysis

REVENUE AND PROFITABILITY

The Group recorded a revenue of approximately HK\$38,484,000 (2014: HK\$38,865,000) for the year ended 31 March 2015, representing a slight decrease of approximately 0.98% as compared to 2013/14. All of the revenue for the two years ended 31 March 2015 and 2014 were attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” in the PRC.

The Group’s gross profit for the year ended 31 March 2015 amounted to approximately HK\$27,007,000 as compared to approximately HK\$26,850,000 for the year ended 31 March 2014. The increase was mainly attributable to the decrease in amortisation of intangible assets charged for the year.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2015 was approximately HK\$33,511,000 as compared to approximately HK\$32,024,000 for the year ended 31 March 2014. The increase was mainly attributable to the increase in staff costs and rental expenses for the year.

NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group made a net loss attributable to owners of approximately HK\$9,871,000 for the year ended 31 March 2015 as compared to approximately HK\$9,113,000 for the year ended 31 March 2014. The increase was mainly attributable to the slight decrease in revenue of Shentong Card and the increase in staff costs and rental expenses for the year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2015, the Group had outstanding promissory note at a nominal value of approximately HK\$94.4 million (as at 31 March 2014: approximately HK\$94.4 million) with carrying value of approximately HK\$100.1 million (as at 31 March 2014: approximately HK\$98.2 million). The promissory note was originally unsecured, bearing an interest at the rate of 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, China Communication Investment Limited (“CCI”) agreed to vary the terms of promissory note, such that the maturity date was changed to 10 August 2010 (“New Maturity Date”). In addition, before the New Maturity Date, the Group has the right to further postpone (“Maturity Postponement Right”) the maturity date to 30 June 2012 (“Extended Maturity Date”) if the latest published financial information of the Group indicating that the repayment of such principal and accrued interests would cause the net current assets of the Group to fall below HK\$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2015 (as at 31 March 2014: HK\$Nil).

As at 31 March 2015, the Group had net current assets of approximately HK\$42.7 million (as at 31 March 2014: approximately HK\$48.9 million). The Group’s current assets consisted of cash and cash equivalents of approximately HK\$45.2 million (as at 31 March 2014: approximately HK\$51.7 million), prepayments, deposits and other receivables of approximately HK\$12.3 million (as at 31 March 2014: approximately HK\$11.2 million). The Group’s current liabilities include accruals and other payables of approximately HK\$2.5 million (as at 31 March 2014: approximately HK\$2.0 million), current tax liabilities of approximately HK\$12.3 million (as at 31 March 2014: approximately HK\$12.0 million).

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

GEARING RATIO

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.89 as at 31 March 2015 as compared to 1.64 as at 31 March 2014.

CAPITAL STRUCTURE

There was no change in the capital structure during the year ended 31 March 2015.

Management Discussion and Analysis

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 31 March 2015 and 31 March 2014.

EMPLOYEES, REMUNERATION POLICIES AND STAFF COSTS

As at 31 March 2015, the Group had 72 employees (2014: 85). The staff costs for the year ended 31 March 2015 was approximately HK\$10.5 million (2014: HK\$10.0 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

MATERIAL INVESTMENT OR CAPITAL ASSETS

On 30 July 2014, Yijia, a wholly-owned subsidiary of the Company entered into a wealth management agreement with Industrial & Commercial Bank of China, a bank licensed and incorporated under the laws of the PRC. Pursuant to the wealth management agreement, Yijia subscribed for wealth management product, which are of principal-preservation with floating return in nature, at a subscription amount of RMB10 million (equivalent to approximately HK\$12.54 million). The Company utilised its temporarily idle funds for the payment of the subscription amount under the wealth management agreement.

Please refer to the announcement of the Company dated 30 July 2014 for further details.

Save as disclosed above, for the year ended 31 March 2015, the Group had no significant investment. As at 31 March 2015, the Group has no plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisitions or disposal of subsidiaries and affiliated companies during the year ended 31 March 2015.

FOREIGN CURRENCY RISK

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2015 and 31 March 2014.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Chenguang, aged 54, joined the Group and was elected as the Chairman of the Group in April 2006. He is responsible for formulating the Group's strategy of overall business development. Mr. He holds a professional qualification in business administration and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC. Currently, he is the chairman of the board of directors of the Company's substantial shareholder, 神州通信集團有限公司 (China Communication Group Co., Ltd.#) ("CCC"), a nationwide telecom operator and internet network operator in the PRC.

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

Mr. Bao Yueqing, aged 45, joined the Group in April 2010 as an executive Director until 30 June 2011 and subsequently as a general manager of the Company in May 2012 and appointed as an executive Director and chief executive officer of the Group in January 2014. He is responsible for the daily operation of the Group and forming and implementation of Company's business strategies. Mr. Bao holds a Bachelor degree of Economics Management from Heilongjiang University and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Tai Him, aged 44, was appointed as an independent non-executive Director since October 2002. Mr. Yip is a practising accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has over 20 years of experience in accounting, auditing and financial management. He was previously an independent non-executive director of iOne Holdings Limited (a company listed on the Stock Exchange), for the period from 8 April 2009 to 21 July 2014, Wing Tai Investment Holdings Limited (formerly known as Wing Lee Holdings Limited) (a company listed on the Stock Exchange), for the period from 28 February 2001 to 20 June 2014 and China Star Cultural Media Group Limited (formerly known as China Media and Films Holdings Limited) (a company listed on GEM), for the period from 13 December 2008 to 2 April 2015. He is currently an independently non-executive director of GCL-Poly Energy Holdings Limited and Redco Properties Group Limited (both are listed on the Stock Exchange) and Vinco Financial Group Limited and Larry Jewelry International Company Limited (both are listed on GEM).

Ms. Han Liqun, aged 61, was appointed as an independent non-executive Director in January 2014. Ms. Han holds a Bachelor degree of Instrumentation and Automation from Taiyuan University of Technology, a Master degree from the Institute of Computing Technology of the Chinese Academy of Sciences and a Doctorate degree of Pattern Recognition and Intelligent Systems from Beijing Institute of Technology. Ms. Han was a visiting research fellow at City University London.

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

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

English name is for identification purpose only

Biographical Details of Directors and Senior Management

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

Ms. Zhang Li, aged 55, was appointed as an independent non-executive Director in March 2014. Ms. Zhang holds a Bachelor of Engineering in Solid Mechanics from the Department of Mathematics and Mechanics of Henan University of Science and Technology, China, a Master of Engineering in Mechanical Design from the Department of Mechanical Design of Henan University of Science and Technology, China, and a Doctor of Engineering in Composite Materials from the School of Material Engineering of Wuhan University of Technology, China. Ms. Zhang is currently a professor at the School of Material and Mechanical Engineering of Beijing Technology and Business University, China, instructing the graduates and doctoral students. She was also the dean of the School of Mechanical Automation, the dean of the School of Mechanical Engineering and the deputy director of the Office of Evaluation and Construction for Undergraduate Assessment of Beijing Technology and Business University. Since 2007, Ms. Zhang has been to Canada, Singapore, the United States, the United Kingdom, Australia and other countries for academic exchanges and visits.

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

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

SENIOR MANAGEMENT

Dr. Wong Lee Ping, aged 50, joined the Group in March 2015, is the chief financial officer of the Group. He is responsible for the Group's strategy for financial planning and investor relations functions. Dr. Wong is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and also a fellow member of the Association of Chartered Certified Accountants. Dr. Wong holds a Doctor of Corporate Management from Jinan University of PRC. He has held various management position in Hong Kong listed companies, bringing more than 20 years of experience to the Group.

Ms. Hung Yee Ling, aged 36, joined the Group in August 2011, is the financial controller and company secretary of the Group. She is responsible for financial planning and reporting and general administration of the Group. Ms. Hung holds a Bachelor Degree of Accountancy from the Hong Kong Polytechnic University. Ms. Hung is a member of the Hong Kong Institute of Certified Public Accountants and also a fellow member of the Association of Chartered Certified Public Accountants. Prior to joining to the Group, she worked in a multinational accounting firm and has over 9 years' experience in auditing.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges that good and effective corporate governance could make an important contribution to corporate success and enhance values to the Group and our shareholders. Therefore, the Board is committed to maintain and ensure the standards of corporate governance within the Group and to ensure that the business activities and decision making processes are regulated in a proper and responsible manner. Save as disclosed below, the Group has adopted the practices and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2015.

Under Code Provision A.6.7 of the CG Code, independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Ms. Han Liqun and Ms. Zhang Li, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 15 August 2014 (the "2014 AGM") due to their other business activities and unexpected engagement. Mr. Yip Tai Him, an independent non-executive Director and the chairman of each of the audit committee and remuneration committee of the Company, was unable to attend the 2014 AGM due to his other business activities and unexpected engagement.

In addition, under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company and he should also invite the chairman of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. He Chenguang (chairman of the Board and chairman of the nomination committee of the Company) was unable to attend the 2014 AGM due to an unexpected business trip. Mr. Bao Yueqing (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2014 AGM to answer and address questions raised by shareholders at the 2014 AGM.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code. The key principles and practices of the Company are summarised below.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. During the year ended 31 March 2015, all Directors have participated in continuous professional development programmes such as attending external conferences, seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. The Company is of the view that all Directors has complied with the code provisions A.6.5. A record of the training received by the respective Directors are kept and updated by the company secretary of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2015. The Company also had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

Corporate Governance Report

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five Directors in which two are executive Directors and three are independent non-executive Directors. During the year ended 31 March 2015 and up to the date of this report, the Board comprises the following Directors:

Executive Directors:

Mr. He Chenguang, *Chairman of the Board*

Mr. Bao Yueqing, *Chief Executive Officer*

Non-executive Director:

Mr. Xiao Haiping

Resigned on 15 April 2014

Independent Non-Executive Directors:

Mr. Yip Tai Him

Ms. Han Liqun

Ms. Zhang Li

Ms. Cao Huifang

Resigned on 31 May 2014

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

The number of the Board meetings and the other committees' meetings held for the year ended 31 March 2015 and the attendance of each Director are as follows:

	Numbers of the meetings attended/held			
	Board	Nomination Committee	Audit Committee	Remuneration Committee
Executive Directors				
Mr. He Chenguang	12/12	0/0	N/A	N/A
Mr. Bao Yueqing	12/12	N/A	N/A	N/A
Non-Executive Director				
Mr. Xiao Haiping (Resigned on 15 April 2014)	1/1	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Yip Tai Him	12/12	0/0	5/5	2/2
Ms. Han Liqun	12/12	0/0	5/5	2/2
Ms. Zhang Li	12/12	0/0	5/5	2/2
Ms. Cao Huifang (Resigned on 31 May 2014)	2/2	N/A	N/A	N/A

Corporate Governance Report

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

Executive Directors

Mr. He Chenguang	0/1
Mr. Bao Yueqing	1/1

Non-Executive Director

Mr. Xiao Haiping (Resigned on 15 April 2014)	N/A
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Independent Non-Executive Directors

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

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

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

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

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

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

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board currently comprises three independent non-executive Directors representing two-third of the Board. The independent non-executive Directors are appointed for a specific term. All the three independent non-executive Directors have been appointed for a term of one year and they are subject to retirement by rotation in accordance with the Articles.

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

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

REMUNERATION COMMITTEE

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

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

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

Corporate Governance Report

NOMINATION OF DIRECTORS

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

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

Mr. Bao Yueqing and Mr. Yip Tai Him will retire at the forthcoming annual general meeting and the re-election of Mr. Bao Yueqing as executive Director and Mr Yip Tai Him as independent non-executive Director are to be proposed at the forthcoming annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

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

AUDITOR'S REMUNERATION

The Company has appointed RSM Nelson Wheeler as the auditors of the Group (the "Auditor") since April 2011. The Audit Committee is responsible for considering the appointment of the external auditor, including whether such non-audit engagements could affect their independence. The Board is authorised in the annual general meeting to determine the remuneration of the Auditor. For the year ended 31 March 2015, the Auditor's remuneration in connection with the provision of audit and non-audit services paid by the Group were as follows:

	For the year ended 31 March	
	2015 HK\$	2014 HK\$
Statutory audit services	538,000	525,000
Non-audit services	500,000	487,000
	1,038,000	1,012,000

Corporate Governance Report

AUDIT COMMITTEE

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

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

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

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

For the year ended 31 March 2015, the Audit Committee held five meetings in which the members of the Audit Committee reviewed and concluded with satisfaction in relation to the internal control system of the Group and the following reports:

- Annual report for the year ended 31 March 2014;
- Quarterly reports for the first quarter and third quarter of 2014/15;
- Interim report for the first six months of 2014/15; and
- Review of continuing connected transactions with the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. The Group incurred a loss attributable to owners of the Company of approximately HK\$9,871,000 and has net operating cash outflow of approximately HK\$5,535,000 for the year ended 31 March 2015, and as at 31 March 2015 the Group had a capital deficiency of approximately HK\$54,225,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

- (a) On 31 March 2015, the Group agreed with CCI, a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2016.
- (b) The Directors have obtained the confirmation from CCC, the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligations as they fall due, both present and future.

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

Corporate Governance Report

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

INTERNAL CONTROL

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

COMPANY SECRETARY

Ms. Hung Yee Ling has been the company secretary of the Company since 2011. Ms. Hung has confirmed that she has taken no less than 15 hours of relevant professional training during the year ended 31 March 2015. The Company is of the view that Ms. Hung has complied with Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Right to put forward proposals and to convene a general meeting

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

Corporate Governance Report

Right to put enquiries to the Board

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

INVESTOR RELATIONS

The annual general meeting provides an opportunity for Shareholders to exchange their views with the Board. Mr. Bao Yueqing (executive Director and chief executive officer of the Company) had attended the annual general meeting for Year 2014 held on 15 August 2014 to answer questions from Shareholders. The Company's website (<http://www.cspi.com.hk>) offers a communication channel between the Company and the Shareholders and potential investors.

CONSTITUTIONAL DOCUMENTS

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

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Group and the Company for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiary companies are set out in note 26 to the financial statements.

SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss on page 29 of this report.

The state of affairs of the Group and the Company at 31 March 2015 are set out in the consolidated statement of financial position and statement of financial position on page 31 of this report and note 32 to the financial statements respectively.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2015 (2014: HK\$Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 32 and note 25(b) to the financial statements respectively.

FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2015, the Company's had no distributable reserves (2014: HK\$Nil).

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

FINANCIAL INFORMATION SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the year ended 31 March 2015.

Directors' Report

SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "2013 Share Option Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 7 August 2013. Summary of the 2013 Share Option Scheme is as follows:

(a) Purpose and Participants of the 2013 Share Option Scheme

The purpose of the 2013 Share Option Scheme is to enable the Company to grant options to (i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive Directors (including, without limitation, independent non-executive Directors) of the Company and/or any of its subsidiaries; (iii) any consultants, suppliers or customers of the Company and/or any of its subsidiaries; (iv) any employee (whether full-time or part-time and including Directors) of any entity (the "Invested Entity") in which the Group holds any equity interest; and/or (v) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for share options under the 2013 Share Option Scheme (the "Eligible Participants") as incentives or rewards for their contribution to the Company and/or its Subsidiaries.

(b) Maximum number of shares available for issue

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2013 Share Option Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

The limit of the 2013 Share Option Scheme can be issued under the 2013 Share Option Scheme was 129,469,701 which is equivalent to 10% of the issued share capital of the Company as at the date of an annual general meeting of the Company held on 15 August 2014.

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

- (i) refresh this limit at any time to 10% of the shares of the Company in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed).
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.
- (iii) notwithstanding the foregoing, the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiary companies if this will result in the 30% limit being exceeded.

As at the latest practicable date prior to the issue of this report, no options was still outstanding under the 2013 Share Option Scheme.

Directors' Report

(c) Maximum entitlement of each Eligible Participant

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

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

(d) Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the 2013 Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

(e) Granting options to connected persons

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

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

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

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

Directors' Report

(f) Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2013 Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the 2013 Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2013 Share Option Scheme by Shareholders by resolution at a general meeting.

Particulars of the outstanding options which have been granted under the 2013 Share Option Scheme as at 31 March 2015 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					As at 31 March 2015
				As at 1 April 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	
<i>Other Eligible Participants</i>									
In aggregate	28 March 2014	29 March 2014 to 28 March 2015	0.492	2,000,000	-	-	(2,000,000)	-	-

DIRECTORS

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

Executive Directors

Mr. He Chenguang

Mr. Bao Yueqing

Non-executive Directors

Mr. Xiao Haiping (Resigned on 15 April 2014)

Independent Non-Executive Directors

Mr. Yip Tai Him

Ms. Han Liqun

Ms. Zhang Li

Ms. Cao Huifang (Resigned on 31 May 2014)

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

Directors' Report

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Directors' interests in contracts as disclosed in the section headed "Details of the continuing connected transactions of the Group" below, no Directors had a significant beneficial interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiary companies were a party at the end of the year ended 31 March 2015 or any time during the year ended 31 March 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

As at 31 March 2015, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held			Approximate percentage of issued share capital
	Personal interests	Corporate interests	Total	
Bao Yueqing	2,844,000	–	2,844,000	0.22%

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 31 March 2015.

Directors' Report

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2015, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Notes:

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

Save as disclosed above, as at 31 March 2015, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Directors' Report

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

— the largest supplier	73%
— five largest suppliers	98%

Sales

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

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

CONTINUING CONNECTED TRANSACTIONS

Relationship between the Group and each of the relevant connected persons

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

Details of the continuing connected transactions of the Group

Pursuant to Rule 20.46 of the GEM Listing Rules, details of the continuing connected transactions during the year ended 31 March 2015 which the Company undertakes the transactions under the written agreements are set out as follows:

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

Directors' Report

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

The aforesaid agreements have been reviewed by independent non-executive Directors of the Company who have confirmed that for the year ended 31 March 2015, the above agreements have been entered into (a) in the ordinary and usual course of business of the Group; (b) on terms no less favourable to the Group than terms available to or from independent third parties, and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2015, the Group had not entered into significant transactions with related parties. No transactions have been entered into with the Directors (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 13 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING INTERESTS

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

Directors' Report

OTHER MATTERS

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

AUDITORS

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

By Order of the Board

He Chenguang

Chairman

Hong Kong, 17 June 2015

Independent Auditor's Report



TO THE SHAREHOLDERS OF CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Communication Telecom Services Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 66, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2015, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$9,871,000 and net operating cash outflow of approximately HK\$5,535,000 for the year ended 31 March 2015 and as at 31 March 2015 the Group had a capital deficiency of approximately HK\$54,225,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

17 June 2015

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	7	38,484	38,865
Cost of sales		(11,477)	(12,015)
Gross profit		27,007	26,850
Other income	8	129	348
Selling and distribution expenses		(14,839)	(14,406)
Administrative expenses		(18,672)	(17,618)
Loss from operation		(6,375)	(4,826)
Finance costs	10	(1,894)	(1,897)
Loss before tax		(8,269)	(6,723)
Income tax expense	11	(1,602)	(2,390)
Loss for the year attributable to owners of the Company	12	(9,871)	(9,113)
		HK cent	HK cent
Loss per share	17		
Basic		(0.76)	(0.70)
Diluted		N/A	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2015

	2015 HK\$'000	2014 HK\$'000
Loss for the year	(9,871)	(9,113)
Other comprehensive income, net of tax:		
<i>Item that may be reclassified to profit or loss:</i>		
— Exchange differences on translating foreign operations	(292)	269
Total comprehensive income for the year attributable to owners of the Company	(10,163)	(8,844)

Consolidated Statement of Financial Position

AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	18	1,559	1,643
Intangible assets	19	2,164	4,812
		3,723	6,455
Current assets			
Prepayments, deposits and other receivables	20	12,364	11,209
Bank and cash balances	21	45,167	51,680
		57,531	62,889
Current liabilities			
Accruals and other payables		2,530	2,017
Current tax liabilities		12,343	12,015
		14,873	14,032
Net current assets		42,658	48,857
Total assets less current liabilities		46,381	55,312
Non-current liabilities			
Promissory note	22	100,065	98,171
Deferred tax liabilities	23	541	1,203
		100,606	99,374
NET LIABILITIES		(54,225)	(44,062)
Capital and reserves			
Share capital	24	12,947	12,947
Reserves	25	(67,172)	(57,009)
TOTAL EQUITY		(54,225)	(44,062)

Approved by the Board of Directors on 17 June 2015.

He Chenguang
Director

Bao Yueqing
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2015

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013	12,947	1,072,549	8,320	1,903	1,522	(1,132,580)	(35,339)
Total comprehensive income for the year	-	-	-	269	-	(9,113)	(8,844)
Share option scheme							
— share-based payments	-	-	-	-	121	-	121
— lapsed share options	-	-	-	-	(1,522)	1,522	-
Changes in equity for the year	-	-	-	269	(1,401)	(7,591)	(8,723)
At 31 March 2014	12,947	1,072,549	8,320	2,172	121	(1,140,171)	(44,062)
At 1 April 2014	12,947	1,072,549	8,320	2,172	121	(1,140,171)	(44,062)
Total comprehensive income for the year	-	-	-	(292)	-	(9,871)	(10,163)
Share option scheme							
— lapsed share options	-	-	-	-	(121)	121	-
Changes in equity for the year	-	-	-	(292)	(121)	(9,750)	(10,163)
At 31 March 2015	12,947	1,072,549	8,320	1,880	-	(1,149,921)	(54,225)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2015

	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(8,269)	(6,723)
Adjustments for:		
Amortisation of intangible assets	2,598	3,099
Depreciation	881	761
Equity-settled share-based payments	–	121
Finance costs	1,894	1,897
Gain on disposals of financial assets at fair value through profit or loss	(51)	(312)
Interest income	(77)	(35)
Operating loss before working capital changes	(3,024)	(1,192)
Increase in prepayments, deposits and other receivables	(1,155)	(4,203)
Increase in accruals and other payables	513	282
Cash used in operations	(3,666)	(5,113)
Income tax paid	(1,869)	(2,121)
Net cash used in operating activities	(5,535)	(7,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	77	35
Purchase of financial assets at fair value through profit or loss	(12,507)	(37,655)
Proceeds from disposals of financial assets at fair value through profit or loss	12,558	38,103
Purchase of property, plant and equipment	(816)	(918)
Net cash used in investing activities	(688)	(435)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,223)	(7,669)
Effect of foreign exchange rate changes	(290)	101
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	51,680	59,248
CASH AND CASH EQUIVALENTS AT END OF YEAR	45,167	51,680
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	45,167	51,680

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 26 to the consolidated financial statements.

In the opinion of the Directors of the Company, as at 31 March 2015, 神州通信集團有限公司 (China Communication Group Co., Ltd.#) ("CCC"), a Company incorporated in the People's Republic of China (the "PRC"), is the ultimate parent of the Company.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$9,871,000 and net operating cash outflow of approximately HK\$5,535,000 for the year ended 31 March 2015, and as at 31 March 2015 the Group had a capital deficiency of approximately HK\$54,225,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

- (a) On 31 March 2015, the Group agreed with China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2016.
- (b) The Directors have obtained the confirmation from CCC, the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligations as they fall due, both present and future.

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

English name is for identification purpose only

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

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

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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2014:

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of New and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁴

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA, and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), continue to be those of the predecessor Companies Ordinance (Cap. 32).

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

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

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

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

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

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

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

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation

(i) *Functional and presentation currency*

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

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

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

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in the consolidated statement of profit or loss and 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 other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part 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 the consolidated profit or loss as part of the profit or loss on disposal.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 annual rates are as follows:

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

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

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

(d) Intangible assets

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

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

Amortisation of intangible assets is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful lives of 7 years (2014: 5–7 years).

(e) Operating leases

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 the consolidated statement of profit or loss and other comprehensive income is recognised in the consolidated statement of 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 statement of profit or loss.

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

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

(h) Other receivables

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

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.

(i) Cash and cash equivalents

For the purpose of the consolidated 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.

(j) Financial liabilities and equity instruments

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Borrowings

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

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

(l) Other payables

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

(m) Equity instruments

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

(n) Revenue recognition

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

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

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

(o) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share-based payments

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

(q) Borrowing costs

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

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.

(r) Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (Continued)

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 profit or loss and other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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.

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

(s) Related parties

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

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

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

(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.
- (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).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except receivables of which the impairment policies are set out in note 4(h), to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in 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.

(u) Provisions and contingent liabilities

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

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

(v) Events after the reporting period

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

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

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

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

The carrying amount of property, plant and equipment as at 31 March 2015 was HK\$1,559,000 (2014: HK\$1,643,000).

(b) *Amortisation of intangible assets*

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group reassesses the useful life of the intangible assets annually and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period. The carrying amount of intangible assets was HK\$2,164,000 (2014: HK\$4,812,000) was recognised during 2015.

(c) *Impairment of intangible assets*

Determining whether intangible assets impaired requires an estimation of the value in use of the cash-generating unit to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to generate from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of impairment loss calculation are provided in note 19 to the consolidated financial statements. During the year, no impairment was charged to profit or loss (2014: Nil).

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

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

As at 31 March 2015, no impairment loss for bad and doubtful debts (2014: Nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

(e) *Income taxes*

The Group is subject to various taxes in the People's Republic of China (the "PRC"). Significant estimates are required in determining the provision for those taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made. During the year, HK\$1,602,000 (2014: HK\$2,390,000) of income tax was charged in profit or loss based on the estimated profit.

6. FINANCIAL RISK MANAGEMENT

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

(a) *Foreign currency risk*

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

(b) *Credit risk*

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

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

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

(c) *Liquidity risk*

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2015				
Accruals and other payables	2,530	–	–	–
Promissory note	–	102,432	–	–
At 31 March 2014				
Accruals and other payables	2,017	–	–	–
Promissory note	–	100,543	–	–

As described in notes 2 and 22 to the consolidated financial statements, the Group has reached an agreement with CCI to postpone the maturity date of promissory note to 30 June 2016. The Directors are of the view that this agreement would be adequate to maintain the liquidity risk to an acceptable level.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

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

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

(e) Categories of financial instruments at 31 March:

	2015 HK\$'000	2014 HK\$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
— Deposits and other receivables	10,348	9,442
— Bank and cash balances	45,167	51,680
Financial liabilities:		
Financial liabilities at amortised cost		
— Accruals and other payables	2,530	2,017
— Promissory note	100,065	98,171

(f) Fair values

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

7. REVENUE

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

	2015 HK\$'000	2014 HK\$'000
Promotion and management services	38,484	38,865

8. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	51	312
Interest income	77	35
Sundry income	1	1
	129	348

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

9. SEGMENT INFORMATION

The Group has the following reportable segment:

Promotion and management services — Provision of promotion and management services for an electronic smart card “Shentong Card” in the PRC

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include finance costs, income tax expense and unallocated corporate expenses. Segment assets include all non-current assets and current assets with the exception of corporate assets. Segment liabilities include all non-current liabilities and current liabilities with the exception of current tax liabilities, deferred tax liabilities and corporate liabilities.

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

	Promotion and management services	
	2015	2014
	HK\$'000	HK\$'000
Year ended 31 March		
Revenue from external customer, net of sales tax	38,484	38,865
Segment profit	4,239	6,915
Interest income	74	31
Depreciation and amortisation	3,478	3,860
Additions to segment non-current assets	798	918
As at 31 March		
Segment assets	36,212	34,055
Segment liabilities	1,357	1,210

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

9. SEGMENT INFORMATION (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Revenue		
Total revenue of reportable segment	38,484	38,865
Consolidated revenue	38,484	38,865
Profit or loss		
Total profit of reportable segment	4,239	6,915
Finance costs	(1,894)	(1,897)
Income tax expense	(1,602)	(2,390)
Unallocated amounts:		
Directors' emoluments	(3,261)	(3,969)
Rent	(2,280)	(1,979)
Other unallocated head office and corporate expenses	(5,073)	(5,793)
Consolidated loss for the year	(9,871)	(9,113)
Assets		
Total assets of reportable segment	36,212	34,055
Unallocated assets:		
Bank and cash balances	24,251	34,471
Other unallocated head office and corporate assets	791	818
Consolidated total assets	61,254	69,344
Liabilities		
Total liabilities of reportable segment	1,357	1,210
Current tax liabilities	12,343	12,015
Deferred tax liabilities	541	1,203
Promissory note	100,065	98,171
Other unallocated head office and corporate liabilities	1,173	807
Consolidated total liabilities	115,479	113,406

Geographical information

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

Major customer

For the years ended 31 March 2015 and 2014, the Group has only one customer which contributed more than 10% of the revenue of the Group. The customer is under the promotion and management services segment and the gross income is approximately HK\$38,592,000 (2014: HK\$39,059,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

10. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on promissory note payable to CCI	1,894	1,897

11. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Current tax		
Provision for the year	2,242	3,159
Under-provision in prior year	10	6
Deferred tax (note 23)	(650)	(775)
	1,602	2,390

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2015 and 2014.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2014: 25%).

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

	2015 HK\$'000	2014 HK\$'000
Loss before tax	(8,269)	(6,723)
Tax at the PRC Enterprise Income Tax rate of 25% (2014: 25%)	(2,067)	(1,681)
Tax effect of temporary differences not recognised	(10)	–
Tax effect of income that is not taxable	(1)	(1)
Tax effect of expenses that are not deductible	3,670	4,066
Under-provision in prior year	10	6
Income tax expense	1,602	2,390

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

12. LOSS FOR THE YEAR

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

	2015	2014
	HK\$'000	HK\$'000
Amortisation of intangible assets		
— included in cost of sales	—	479
— included in selling and distribution expenses	2,598	2,620
	2,598	3,099
Depreciation	881	761
Operating lease charges for land and buildings	4,181	3,618
Auditor's remuneration		
— audit services	538	525
— other services	500	487
	1,038	1,012
Equity-settled share-based payments	—	121
Staff costs including Directors' emoluments		
— salaries, bonus and allowances	9,827	9,444
— retirement benefits scheme contributions	647	523
	10,474	9,967

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each Director were as follows:

	Note	Fees HK\$'000	Salary and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
He Chenguang		–	1,800	18	1,818
Bao Yueqing	(a)	–	1,200	18	1,218
Non-executive Directors					
Xiao Haiping	(c)	–	5	–	5
Independent non-executive Directors					
Yip Tai Him		100	–	–	100
Han Liqun	(a)	50	–	–	50
Zhang Li	(e)	50	–	–	50
Cao Huifang	(f)	20	–	–	20
Total for the year ended 31 March 2015		220	3,005	36	3,261
Executive Directors					
He Chenguang		–	1,800	15	1,815
Bao Yueqing	(a)	–	200	2	202
Zhang Peng	(b)	–	1,400	13	1,413
Non-executive Directors					
Xiao Haiping	(c)	–	120	6	126
Lam Lee G.	(d)	–	112	6	118
Independent non-executive Directors					
Yip Tai Him		100	–	–	100
Han Liqun	(a)	8	–	–	8
Zhang Li	(e)	2	–	–	2
Cao Huifang	(f)	100	–	–	100
Liu Hong	(b)	85	–	–	85
Total for the year ended 31 March 2014		295	3,632	42	3,969

Notes:

- (a) Appointed on 31 January 2014.
- (b) Resigned on 31 January 2014.
- (c) Resigned on 15 April 2014.
- (d) Resigned on 5 March 2014.
- (e) Appointed on 20 March 2014.
- (f) Resigned on 31 May 2014.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The five highest paid individuals in the Group during the year included two (2014: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2014: three) employees are set out below:

	2015	2014
	HK\$'000	HK\$'000
Basic salaries and allowances	1,559	2,164
Retirement benefits scheme contributions	49	43
	1,608	2,207

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Nil to HK\$1,000,000	3	2
HK\$1,000,000 to HK\$1,500,000	–	1
	3	3

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

14. RETIREMENT BENEFIT SCHEMES

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 Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK\$1,500 (before 1 June 2014: HK\$1,250) per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

15. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included approximately HK\$10,775,000 (2014: HK\$11,870,000) which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2014: HK\$Nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

17. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$9,871,000 (2014: HK\$9,113,000) and the weighted average number of ordinary shares of 1,294,697,017 (2014: 1,294,697,017) in issue during the year.

(b) Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 March 2015 and 2014.

18. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 April 2013	3,949	944	533	907	6,333
Additions	918	–	–	–	918
Exchange differences	47	–	5	11	63
At 31 March 2014 and 1 April 2014	4,914	944	538	918	7,314
Additions	199	617	–	–	816
Exchange differences	(52)	(1)	(5)	(10)	(68)
At 31 March 2015	5,061	1,560	533	908	8,062
Accumulated depreciation and impairment losses					
At 1 April 2013	2,940	944	468	513	4,865
Charge for the year	542	–	41	178	761
Exchange differences	34	–	4	7	45
At 31 March 2014 and 1 April 2014	3,516	944	513	698	5,671
Charge for the year	594	103	7	177	881
Exchange differences	(37)	(1)	(4)	(7)	(49)
At 31 March 2015	4,073	1,046	516	868	6,503
Carrying amount					
At 31 March 2015	988	514	17	40	1,559
At 31 March 2014	1,398	–	25	220	1,643

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

19. INTANGIBLE ASSETS

	Distribution network HK\$'000	Service contract HK\$'000	Total HK\$'000
Cost			
At 1 April 2013	73,651	183,106	256,757
Exchange differences	884	2,199	3,083
At 31 March 2014 and 1 April 2014	74,535	185,305	259,840
Exchange differences	(810)	(2,016)	(2,826)
At 31 March 2015	73,725	183,289	257,014
Accumulated amortisation and impairment losses			
At 1 April 2013	66,302	182,628	248,930
Amortisation for the year	2,620	479	3,099
Exchange differences	801	2,198	2,999
At 31 March 2014 and 1 April 2014	69,723	185,305	255,028
Amortisation for the year	2,598	–	2,598
Exchange differences	(760)	(2,016)	(2,776)
At 31 March 2015	71,561	183,289	254,850
Carrying amount			
At 31 March 2015	2,164	–	2,164
At 31 March 2014	4,812	–	4,812

The remaining amortisation period of distribution network is 0.8 years (2014: 1.8 years).

The Group carried out review of the recoverable amount of its intangible assets as at 31 March 2015 having regard to the market conditions of the Group's services. These intangible assets are used in the Group's promotion and management services segment. No impairment has been recognised for the two years ended 31 March 2015 and 2014. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method. The average discount rate used in measuring value in use at the end of reporting period was 22.96% (2014: 22.4%).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK\$'000	HK\$'000
Amount due from a substantial shareholder (note)	9,664	8,769
Other receivables	29	18
Prepayments and deposits	2,671	2,422
	12,364	11,209

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

21. BANK AND CASH BALANCES

As at 31 March 2015, the bank and cash balances of the Group's subsidiary in the PRC denominated in RMB amounted to approximately HK\$20,916,000 (2014: HK\$17,210,000). 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.

22. PROMISSORY NOTE

As at 31 March 2015, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (2014: HK\$94,427,000).

On 31 March 2014, the Group and CCI agreed to extend the maturity date from 30 June 2014 to 30 June 2015. On 31 March 2015, the Group and CCI agreed to extend the maturity date from 30 June 2015 to 30 June 2016.

The principal amount of the promissory note is denominated in Hong Kong dollars. The promissory note is unsecured. As at 31 March 2015, the coupon rate is 2% per annum (2014: 2% per annum) and the effective interest rate is 1.88% (2014: 1.93%).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

23. DEFERRED TAX LIABILITIES

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

	Revaluation of acquired intangible assets
	HK\$'000
At 1 April 2013	(1,957)
Credit to the consolidated profit or loss for the year (note 11)	775
Exchange differences	(21)
At 31 March 2014 and 1 April 2014	(1,203)
Credit to the consolidated profit or loss for the year (note 11)	650
Exchange differences	12
At 31 March 2015	(541)

As at 31 March 2015, the Group has unused tax losses of approximately HK\$19,566,000 (2014: HK\$19,566,000) available for offset against future profits and may be carried forward indefinitely.

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

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised is approximately HK\$23,703,000 (2014: HK\$19,061,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. SHARE CAPITAL

	Number of shares	Amount
		HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2015 and 2014	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	1,294,697,017	12,947

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24. SHARE CAPITAL (CONTINUED)

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

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

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

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

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the gearing ratio below 300%. The Group's gearing ratios as at 31 March 2015 and 2014 were as follows:

	2015	2014
	HK\$'000	HK\$'000
Total liabilities	115,479	113,406
Total assets	61,254	69,344
Gearing ratio	189%	164%

In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of its issued shares throughout the year. The Company was not informed of any change in its shareholdings that would lead to its non-compliance with the 25% limit throughout the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

25. 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 the consolidated statement of changes in equity.

(b) Company

	Note	Share premium HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013		1,072,549	1,522	(1,024,348)	49,723
Loss for the year	15	–	–	(11,870)	(11,870)
Share option scheme					
— share-based payments		–	121	–	121
— lapsed of share options granted		–	(1,522)	1,522	–
At 31 March 2014		1,072,549	121	(1,034,696)	37,974
At 1 April 2014		1,072,549	121	(1,034,696)	37,974
Loss for the year	15	–	–	(10,775)	(10,775)
Share option scheme					
— lapsed of share options granted		–	(121)	121	–
At 31 March 2015		1,072,549	–	(1,043,350)	27,199

Notes to the Financial Statements

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25. RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) *Share premium*

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

(ii) *Merger reserve*

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

(iii) *Foreign currency translation reserve*

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

(iv) *Share-based payment reserve*

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

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

Investments in subsidiaries

	The Company	
	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at cost	3,293	3,293
Less: impairment losses (note (iii))	(3,273)	(3,273)
	20	20

Notes to the Financial Statements

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

Particulars of the subsidiaries as at 31 March 2015 are as follows:

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

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

* *English name is for identification purpose only*

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

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

Amounts due from/(to) subsidiaries

	The Company	
	2015 HK\$'000	2014 HK\$'000
Amounts due from subsidiaries (note (i))	960,610	957,826
Less: Allowance for doubtful debts (note (ii))	(939,845)	(936,771)
	20,765	21,055
Amount due to a subsidiary (note (i))	(2,089)	(2,104)

Notes:

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

(ii) Movements in the allowance for doubtful debts:

	The Company	
	2015 HK\$'000	2014 HK\$'000
At 1 April	936,771	934,060
Impairment losses recognised	3,074	2,711
At 31 March (note (iii))	939,845	936,771

(iii) In view of the recurring operating loss of certain subsidiaries and the net liability positions of these subsidiaries, the Directors decided that cumulative impairment loss as at 31 March 2015 of approximately HK\$3,273,000 (2014: HK\$3,273,000) and HK\$939,845,000 (2014: HK\$936,771,000) in respect of the Company's investments in subsidiaries and the amounts due from subsidiaries are to be recognised respectively.

Notes to the Financial Statements

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27. SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

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

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

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

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

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

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

Notes to the Financial Statements

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27. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

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

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

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

Employees and others providing similar services

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

Options not exercised will expire after the exercisable period.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2015

27. SHARE-BASED PAYMENTS (CONTINUED)

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

	2015	Weighted average exercise price HK\$	2014	Weighted average exercise price HK\$
	Number of share options '000		Number of share options '000	
Outstanding at the beginning of the year	2,000	0.492	7,000	1.28
Granted during the year	–	–	2,000	0.492
Lapsed during the year	(2,000)	0.492	(7,000)	1.28
Outstanding at the end of the year	–	–	2,000	0.492
Exercisable at the end of the year	–	–	2,000	0.492

At 31 March 2014, the share options outstanding at the end of the year have a remaining contractual life of 0.99 year and with exercise price of HK\$0.492. For the year ended 31 March 2014, 2,000,000 share options were granted under the New Scheme on 28 March 2014. No share option granted for the year ended 31 March 2015.

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

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

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

28. CONTINGENT LIABILITIES

As at 31 March 2015, the Group did not have any significant contingent liabilities (2014: HK\$Nil).

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29. CAPITAL COMMITMENTS

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

	2015 HK\$'000	2014 HK\$'000
Property, plant and equipment		
— Contracted but not provided for	1,044	1,056

30. LEASE COMMITMENTS

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

	2015 HK\$'000	2014 HK\$'000
Within one year	4,797	3,244
In the second to fifth years inclusive	2,416	3,127
	7,213	6,371

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

31. RELATED PARTY TRANSACTIONS

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

	2015 HK\$'000	2014 HK\$'000
Promotion and management service income from CCC	38,592	39,059
Service fee to CCC		
— Advertising expenses	(6,005)	(6,054)
— Customer service hotline rental	(1,626)	(1,532)
— Server hosting service	(8,407)	(8,476)

Notes to the Financial Statements

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32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investments in subsidiaries	26	20	20
Current assets			
Amounts due from subsidiaries	26	20,765	21,055
Prepayments		119	120
Bank and cash balances		22,287	32,547
		43,171	53,722
Current liabilities			
Other payables and accruals		956	717
Amount due to a subsidiary	26	2,089	2,104
		3,045	2,821
Net current assets		40,126	50,901
NET ASSETS		40,146	50,921
Capital and reserves			
Share capital		12,947	12,947
Reserves	25(b)	27,199	37,974
TOTAL EQUITY		40,146	50,921

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17 June 2015.