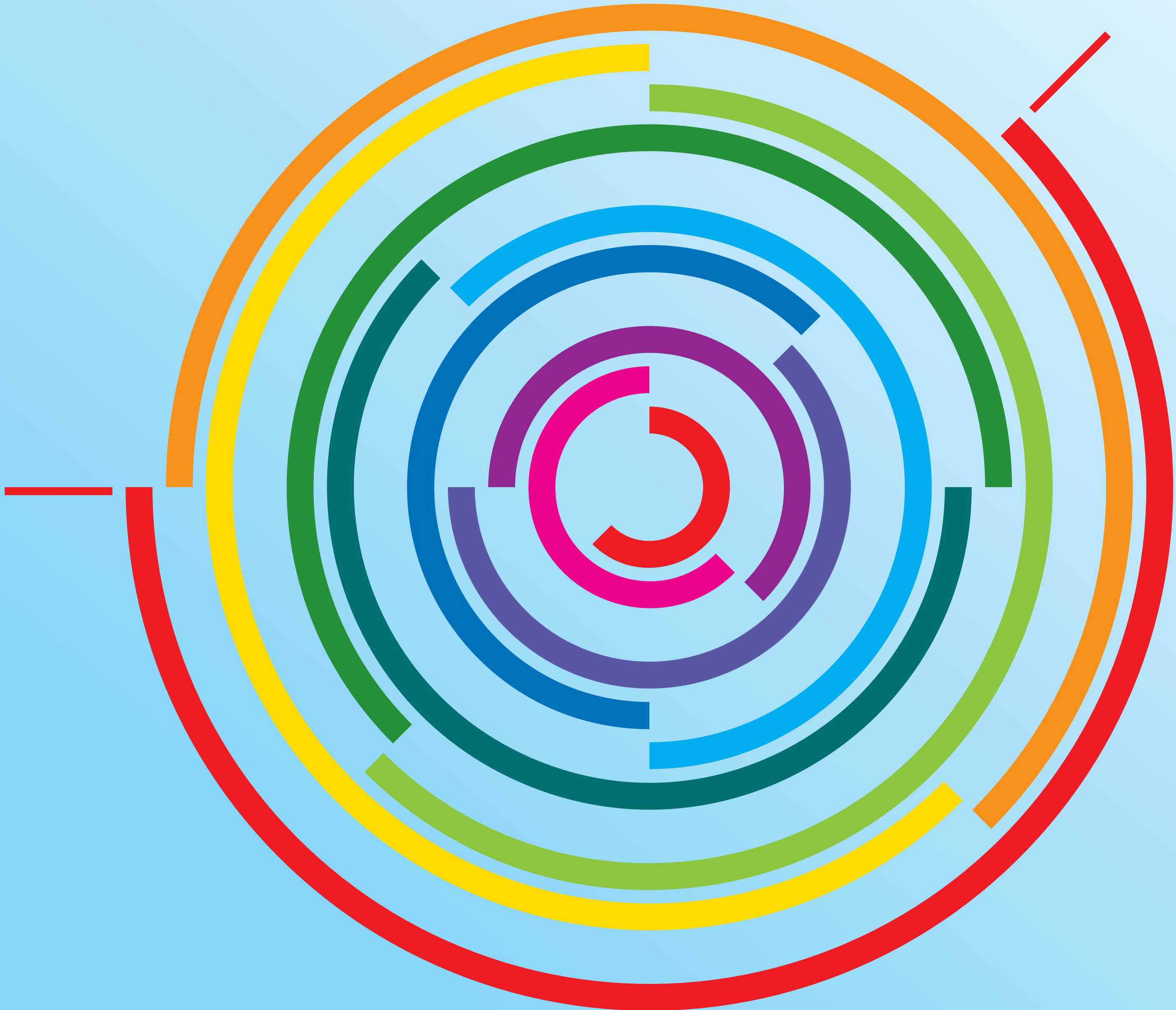
ECHO INTERNATIONAL HOLDINGS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8218



Annual Report 2015

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

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

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

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

Content

Corporate Information

Registered office	Floor 4, Willow House, Cricket Square P.O. Box 2804 Grand Cayman KY1-1112 Cayman Islands
Head office and principal place of business in Hong Kong	Room 2205, 22/F Cable TV Tower 9 Hoi Shing Road Tsuen Wan Hong Kong
Company website	http://www.echogroup.com.hk
Executive directors	Mr. Lo Yan Yee *(Chairman)* Ms. Cheng Yeuk Hung Mr. Cheng Kwing Sang, Raymond (resigned on 22 October 2014) Mr. Lo Ding To
Non-executive directors	Ms. Zhou Jia Lin (appointed on 22 October 2014) Mr. Chan Chun Kit (appointed on 30 January 2015 and redesignated on 9 March 2015)
Independent non-executive directors	Mr. Lam Wai Yuen Mr. Ang Chuk Pai Mr. Cheung Chin Wa, Angus Ms. Kwok Ni Ha (resigned on 16 October 2014) Mr. Shiu Shu Ming (appointed on 8 August 2014 and resigned on 30 January 2015)
Compliance officer	Mr. Lo Ding To
Company secretary	Ms. Lui Wing Shan *HKICPA*
Members of the Audit Committee	Mr. Lam Wai Yuen *(Chairman)* Mr. Ang Chuk Pai Mr. Cheung Chin Wa, Angus Ms. Kwok Ni Ha (resigned on 16 October 2014)
Members of the Remuneration Committee	Mr. Ang Chuk Pai *(Chairman)* Ms. Cheng Yeuk Hung Mr. Cheung Chin Wa, Angus Ms. Kwok Ni Ha (resigned on 16 October 2014)
Members of the Nomination Committee	Mr. Ang Chuk Pai *(Chairman)* Mr. Lo Ding To Mr. Cheung Chin Wa, Angus Ms. Kwok Ni Ha (resigned on 16 October 2014)

Authorised representatives	Mr. Lo Ding To Ms. Lui Wing Shan
Compliance adviser	**RaffAello Capital Limited** Rm. 2002, 20/F., Tower Two, Lippo Centre 89 Queensway, Admiralty Hong Kong
Principal bankers	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road Central Hong Kong **Chiyu Banking Corporation Limited** Shop No. 5A G/F, Belvedere Square Tsuen Wan, N.T. Hong Kong
Principal share registrar and transfer office	**Royal Bank of Canada Trust Company (Cayman) Limited** 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Auditors	**HLB Hodgson Impey Cheng** Certified Public Accountants 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Hong Kong Legal adviser	**Patrick Mak & Tse** 16/F, Nan Fung Tower 173 Des Voeux Road Central Hong Kong
GEM Stock Code	8218

Chairman's Statement

Dear Shareholders,

On behalf of the board of the Directors (the "**Board**") of Echo International Holdings Group Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2015.

In 2014, the Group launched two new products, the Freefly VR and the Digital Fish Scale, which further expanded the Group's product line. Freefly VR is a mobile virtual reality headset for iPhone 6 and most modern Android smartphones, which tracks 360 degrees head movements and projects 3D visuals onto the screen, making user feel like he/she is in a virtual world. The freefly VR is right now available in most European countries and coming soon in the USA and Canada. The digital fish scale is a digit measuring machine for weighing the fishes more accurately with water resistant construction and ergonomic body design, and it displays in lbs/oz or kg.

FINANCIAL PERFORMANCE

The impact of the the fluctuation of raw material prices and the rise of the statutory minimum wages in the PRC resulted in the financial year ended 31 March 2015 being a difficult and challenging one for the Group's manufacturing business in China. The factories in China faced escalating manufacturing costs and keen competition both domestically and from overseas. As a result, the business of the Group was adversely affected for the financial year ended 31 March 2015.

The Group's revenue for the year ended 31 March 2015 was approximately HK$51.81 million (year ended 31 March 2014: approximately HK$51.33 million), representing approximately 0.94% increase as compared with last year. The Group's net loss for the year ended 31 March 2015 recorded approximately HK$12.63 million (year ended 31 March 2014: net loss of approximately HK$8.72 million), representing an approximately 44.84% increase as compared with last year. The gross profit margin decreased from approximately 30.64% last year to approximately 20.61% for the year ended 31 March 2015.

PROSPECTS

Looking forward, the Group will focus on the business of low risk and higher gross margin with relative lower inventory level. The Group expects that the business operation for the coming years will be more cost effective with reducing working capital requirement and more in-depth management concentration. Accordingly, the Group could better capture the opportunity of growth.

The Board is highly alert to any changes in the present uncertain global economy, and remains confident on and committed to the continuation of our mission to maintain our leading position in the market, through dedication, innovation and expansion. The Group will strictly keep the risks under control, have access to more market resources and further improve its profitability, which in turn will bring more return for its shareholders.

APPRECIATION

Finally, I wish to extend, on behalf of the Board, my gratitude to all shareholders and business partners for their trust and support to us, and express my gratitude to the management and staff for their dedicated efforts and contribution.

Echo International Holdings Group Limited
Lo, Yan Yee
Chairman

Hong Kong, 25 June 2015

Management Discussion and Analysis

BUSINESS REVIEW

Revenue for the year ended 31 March 2015 was approximately HK$51.81 million, representing an increase of approximately 0.94% when compared with last year. Loss attributable to owners of the Company for the year ended 31 March 2015 was approximately HK$12.63 million whilst the loss attributable to owners of the Company last year was approximately HK$8.72 million.

Notwithstanding the challenging market conditions encountered during the year, the electronics products and the subcontracting services on PCB assemblies and manufacture of electronic products were still provided to the customers in the Group's principle markets, i.e. the U.S.A. and the European countries including Argentina, Belgium, Bulgaria, Denmark, Finland, France, Germany, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, Ukraine and United Kingdom.

Moving forward, the Group will continue to focus on its core business of the sales of electronic products. The Group will also increase its market share and lure new customers to enlarge its client base through conducting more promotional and marketing activities.

Sales of Electronic Products

Revenue from this segment during the year ended 31 March 2015 was approximately HK$51.03 million, representing an increase of approximately 1.25% when compared with last year. Increase in sales of electronics products was mainly due to the increase in sales of control board, fire alarm and indent trading of electronic product.

Subcontracting Income

Revenue from this segment during the year ended 31 March 2015 was approximately HK$0.78 million, representing an decrease of approximately 16.13% when compared with last year. The decrease was mainly due to decrease in orders from providing subcontracting services in the PRC.

FINANCIAL REVIEW

Financial review

The Group recorded a loss of approximately HK$12.63 million for the financial year ended 31 March 2015 as compared with the loss of approximately HK$8.72 million for the financial year ended 31 March 2014. The increase in the loss is mainly due to the decrease in customers' orders, increase in cost of sales, and the recognition of expense in relation to the share options issued under the Pre-IPO Share Option Scheme of approximately HK$1.93 million for the year ended 31 March 2015 and the increase in the Hong Kong staff salaries of the Group.

During the year ended 31 March 2015, due to the weak economic and business environment in electronic products industry, the customers' order has been starting to decrease in the European countries.

The Group's revenue for the year ended 31 March 2015 was approximately HK$51.81 million (approximately HK$51.33 million for last year), representing an increase of approximately 0.94% when compared with last year. Such increase was mainly due to the increase in sales of control board and fire alarm by 156.42% and 25.12% respectively when compared with last year. Increase in sales of control board was a result of increase in orders for higher end products of control board during the year.

Moreover, the revenue attributable to the top five customers for the year ended 31 March 2015 was approximately HK$34.66 million, which increased from approximately HK$33.24 million for the year ended 31 March 2014, representing an increase of approximately 4.28%. The revenue attributable to the second largest customer for the year ended 31 March 2015 was approximately HK$7.87 million, which increased from approximately HK$3.71 million for the year ended 31 March 2014, representing an increase of approximately 112.13%.

The second largest customer mainly ordered control board which attributable to the purchase of control board during the year ended 31 March 2015 was approximately HK$7.20 million, representing an increase of approximately 148.28% when compared with the figure in last year (i.e. approximately 2.90 million). Such increase in the purchases of control board was mainly due to the reason that such customer is satisfied with our quality of products and after-sales service, thus, shift the purchase order from other EMS manufacturers to us.

Throughout the year ended 31 March 2015, the quantity of products ordered by our customers decreased when compared with the quantity last year, but some factory fixed costs and indirect costs, such as salaries and rents, cannot be reduced at the same time. Therefore, the production cost attributable to each product manufactured by the Group increased. Moreover, in order to keep good business relationship with customers under the challenging market conditions, the Group does not mark-up a higher price on its products despite that the cost of production has increased. The Group absorb the cost by generating low gross profit.

The overall gross profit margin of the Group decreased from approximately 30.64% for the year ended 31 March 2014 to approximately 20.61% for the year ended 31 March 2015 primarily due to the decrease of purchase orders in the higher margin products, namely massage toner, communicator and security alarm.

Selling and distribution expense for the year ended 31 March 2015 were approximately HK$2.33 million (approximately HK$1.16 million for the year ended 31 March 2014), representing an increase of approximately 100.86%. Such increase was mainly due to the product design fee, advertising and promotional fee amounting to HK$1.58 million for the year ended 31 March 2015 (approximately HK$0.60 million for the year ended 31 March 2014).

Administrative expenses for the year ended 31 March 2015 were approximately HK$21.19 million (approximately HK$22.92 million for the year ended 31 March 2014), representing a decrease of approximately 7.55%. Such decrease was mainly due to the decrease in the listing expenses by approximately HK$5.11 million which is partially offset by the recognization of increased expense by approximately HK$1.02 million in relation to the share options issued under the Pre-IPO Share Option Scheme (as defined hereunder) and the increase in staff costs including director's remuneration by approximately HK$2.18 million.

Loss attributable to the owners of the Company amounted to approximately HK$12.63 million for the year ended 31 March 2015 (approximately HK$8.72 million for the year ended 31 March 2014). Loss per share attributable to owners of the Company was approximately HK6.3 cents for the year ended 31 March 2015 (approximately HK5.2 cents for the year ended 31 March 2014).

To cope with the loss for the financial year ended 31 March 2015, the Board intends to develop on its recurring business in providing EMS to international customers while targeting further expansion in its established market, particularly to explore the EMS for consumer electronic products in the PRC market where the Directors consider the PRC market has a promising potential. However, the European countries and the United States will still be the principal markets of the Group in the near future.

The Group's strategies are to increase its market share and to develop new customers to enlarge its client base through increasing its promotional, marketing activities and new products. The Group is going to launch six to seven new toys, beauty and fishing related products to the market in 2015 and the Group will attend and participate in more exhibitions and trade fairs in Hong Kong, the PRC and overseas to promote EMS and buzzer, to attract potential customers.

Liquidity, Financial Resources and Capital Structure

The Group continue to adopt a prudent financial management, funding and treasury policy and has a healthy financial position.

As at 31 March 2015, the Group had net current assets of approximately HK$39.22 million (2014: approximately HK$49.51 million) including cash and cash equivalents of approximately HK$1.59 million (2014: approximately HK$20.84 million) and pledged time deposits of approximately HK$10.04 million (2014: Nil).

The Group's equity capital and bank borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 March 2015 was 5.11 (2014: 9.35).

As at 31 March 2015, the Group's gearing ratio (defined as the ratio of total debts to total equity) was 3.03% (2014: 4.94%).

There has been no change in the capital structure of the Group during the year ended 31 March 2015 up to the date of this report. The capital of the Group mainly comprises ordinary shares and capital reserves. On 11 June 2015, the Board proposes that each of the existing issued and unissued shares of HK$0.01 each in the share capital of the Company be subdivided into four subdivided shares of HK$0.0025 each (the "**Share Consolidation**"). It is expected that the Share Consolidation will take effect from 15 July 2015.

Significant Investment

The Group did not have any significant investment as at 31 March 2015.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2015 (2014: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2014 and 2015.

Charges over assets

The Group had no charges on its assets.

Capital commitment

The Group did not have any significant capital commitments as at 31 March 2014 and 2015.

Foreign Currency Exposure

As at 31 March 2015, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 March 2015, the Group did not use any financial instruments for hedging purposes.

Employees and Emolument Policy

As at 31 March 2015, the Group employed a total of 195 employees (2014: 258 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK$19.48 million for the year ended 31 March 2015 (2014: HK$17.07 million).

The Group reviews the emoluments of its directors and staff based on the qualification, experience performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level.

COMPARISON BETWEEN BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as stated in the prospectus of the Company dated 30 September 2013 (the "Prospectus") for the year ended 31 March 2015 with the Group's actual business progress for the year ended 31 March 2015 is set out below:

Business objectives for the year ended 31 March 2015	Actual business progress for the year ended 31 March 2015
Expand and upgrade the production facilities	
— Lease and renovate a four-storey dormitory for the new employees	The Group's existing dormitory is able to satisfy the existing demand from our employees. In short run, the lease and renovate a four-storey dormitory is unlikely to happen. Therefore, the Group have changed the intended use of unutilized Proceed in the sum of HK$2.99 million and HK$0.01 million for such purpose to working capital and funding for other general corporate purposes and strengthening the Group's position in its established markets and expanding its customer base as announced by the Company on 3 December 2014 respectively.
— Reconstruct the front gate of the factory	The Group's existing front gate of the factory which is able to satisfy the current purpose of usage. The Group will begin to reconstruct the front gate of the factory when there is a sign of the front gate is deteriorate.
Set up production facilities for plastic parts	
— Lease and renovate a two-storey factory premise for setting up production facilities for plastic parts	The existing production capacity of the plastic parts is sufficient to satisfy the existing demand of the customers. The Group have changed the intended use of unutilized Proceed in the sum of HK$2 million for such purpose to strengthen the Group's position in its established markets and expand its customer base as announced by the Company on 3 December 2014.
— Reconstruct a water well to improve environmental protection	The Group's existing water tower for environmental protection which was built in 2011 is able to satisfy the current demand from the factory production capacity. The Group have changed the intended use of unutilized Proceed in the sum of HK$0.2 million for such purpose to strengthen the Group's position in its established markets and expand its customer base as announced by the Company on 3 December 2014.

—	Leasehold improvement for environmental protection regarding the treatment of plastic waste	The Group has not started the construction of leasehold improvement for environmental protection regarding the treatment of plastic waste. The Group will begin to set up leasehold improvement for environmental protection regarding the treatment of plastic waste when there is a sign of the increase in the production for the plastic parts.
—	Reconstruct the electric supply system to support the new production facility	The Group's existing electric supply system is able to satisfy the current demand from the factory production capacity. The Group will begin to reconstruct electric supply system to improve the system when there is a sign of the increase in the production capacity of the factory.
—	Purchase 1 new motor vehicle	The Group has not yet purchase new motor vehicle. The Group will purchase new motor vehicle when there is a sign of the increase in the production for the plastic parts.
—	Purchase 4 new machines for producing plastic parts	The Group has not started the purchase of 4 new machines for producing plastic parts. The Group have changed the intended use of the unutilized Proceed in the sum of HK$3 million to strengthen the Group's position in its established markets and expand its customer base as announced by the Company on 3 December 2014.

Strengthen the Group's position in its established markets and expand its customer base

—	Participate in trade fairs and exhibitions	The Group had participated in Hong Kong Electronics Fair (Spring Edition) and (Autumn Edition) organized by The Hong Kong Trade Development Council during the period from 13 April 2014 to 16 April 2014 and from 13 October 2014 to 16 October 2014 to promote the Group's business.
—	Place advertisements on trading magazines and website	The Group had also placed advertisements on http://adwords.google.com starting March 2014 to enrich the Group's position in its market.

IPO PROCEEDS AND USE OF THE IPO PROCEEDS

The Company received IPO net proceeds of approximately HK$25.12 million (the "**Proceeds**").

As at 3 December 2014, the Company utilized approximately HK$2.91 million of the Proceeds, details of which are tabulated below:

Intended use disclosed in the Prospectus	**Amount of Proceeds allocated as provided in the Prospectus** HK$ million (approximately)	**Utilized amount** HK$ million (approximately)	**Unutilized amount** HK$ million (approximately)
Expansion and upgrade of the production facilities	8.85	0.33	8.52
Setting up production facilities for plastic parts	10.20	—	10.20
Strengthening the Group's position in its established markets and expanding its customer base	3.9	0.41	3.49
Working capital and funding for other general corporate purposes	2.17	2.17	0
Total	25.12	2.91	22.21

During the period from 1 April 2014 up to 3 December 2014, the Company only applied a total of approximately HK$0.239 million out of the Proceeds to strengthen the Group's position in its established markets and expand its customer base.

As disclosed in the announcement of the Company published on 3 December 2014, the Group was cautions about the expansion in the production facilities, and would like to downsize its plans for expansion and upgrade of the production facilities and setting up production facilities for plastic parts. To effectively utilize its proceeds and improve the return to shareholders, the Company re-allocated the unutilized proceeds in the total sum of HK$8.2 million originally earmarked for expansion and upgrade of the production facilities and setting up production facilities for plastic parts to strengthening the Group's position in its established markets and expand its customer base (HK$5.21 million) and working capital and funding for other general corporate purposes (HK$2.99 million).

The details of the utilization of the Proceeds during the period from 4 December 2014 up to 31 March 2015 and as at the date of this report are as follows:

Intended use disclosed in the Announcement	Amount of the unutilized Proceeds as provided in the Announcement	During the period from 4 December 2014 to 31 March 2015		As at the date of this report	
		Utilized amount	Unutilized amount	Utilized amount	Unutilized amount
	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)
Expansion and upgrade of the production facilities	5.52	0.00	5.52	—	5.52
Setting up production facilities for plastic parts	5.00	0.00	5.00	—	5.00
Strengthening the Group's position in its established markets and expanding its customer base	8.70	0.22	1.11(Note 1)	0.22	8.48 (Note 2)
Working capital and funding for other general corporate purposes	2.99	10.36 (Note 3)	0.00	2.99 (Note 4)	0.00
Total	22.21	10.58	11.63	3.21	19.00

Note:

1. A shortage of approximately HK$7.37 million

2. An increase of approximately HK$7.37 million in the unutilized amount for such purpose as at 31 March 2015.

3. It exceeds the allocated amount by approximately HK$7.37 million.

4. A reduction of approximately HK$7.37 million in the utilized amount for such purpose as at 31 March 2015.

In March 2015, due to the inadvertent mistake of the responsible personnel, the Company used approximately HK$7.37 million from the Proceeds allocated for strengthening the Group's position in its established markets and expanding its customer base for the repayment of bank overdraft to reduce the Company's interest cost, and the amount of the Proceeds used for working capital and funding for other general corporate purpose during such period exceeded its allocated sum by approximately HK$7.37 million. The chief financial officer of the Company found the misuse of the Proceeds when she noticed that the total sum in the bank accounts of the Group as at 31 March 2015 was below HK$19 million, the least aggregate amount supposed to be in such bank accounts. Having identified the aforementioned situation, the Company has withdrawn approximately HK$7.37 million from its bank overdraft in April 2015 to restore the amount of the unutilized Proceeds allocated for strengthening the Group's position in its established markets and expanding its customer base from approximately HK$1.11 million to approximately HK$8.48 million and rectify the deviation from intended use of the unutilized Proceeds. Meanwhile, the proceeds utilized for general working capital and funding for other corporate purpose since 4 December 2014 was finally reduced to HK$2.99 million.

The Company intends to strengthen the Group's position in its established markets and expand its customer base by recruiting professional(s) who has/have expertise in design and development of new electronic products, expanding its engineering department, and commencing design and development of new electronic products. Although the Company tried to recruit the said professional(s) during the past months, no appropriate candidates have been identified, and no substantial sum has been utilized for the said purpose during the period from 4 December 2014 up to the date of this report. Therefore, the misuse of the unutilized Proceeds has no adverse impact on the Group's plan in strengthening its position in its established markets and expanding its customer base, nor does it have any material adverse impact on the business, operation and financial position of the Company.

Due to the above incident, the chief financial officer of the Company looked into the use of the Proceeds in the past and noticed that the amount of Proceeds used for working capital and funding for other general corporate purpose as at 31 March 2014 and 30 September 2014 exceeded its allocated amount by approximately HK$1.6 million and HK$2.0 million respectively. In view of the insignificant amount of the misused Proceeds and restoration of the amount of the unutilized Proceeds, the deviation from intended use of the Proceeds in the past has no material adverse on the Company's business, operation and financial position.

In view of the aforesaid deviation from the intended use of the Proceeds, the Company has delegated Mr. Lo Yan Yee, an executive director of the Company and the chief financial officer of the Company to closely monitor the use of Proceeds. In addition, the Company has appointed an independent internal control expert to review and improve the effectiveness of the Company's internal control system.

INTERNAL CONTROL

The Company has engaged Tai Kong CPA Limited (the "Internal Control Consultant") to review and improve the effectiveness of the Group's internal control system. The Internal Control Consultant has issued an internal control review report to the Company, which has identified a number of internal control issues and deficiencies of the Group. The Board has reviewed the said report and conducted a review of the Group's internal control system, and it has taken and/or will take necessary actions and steps to address the internal control issues and deficiencies found in the internal control review.

Set out below are (i) the major deficiencies identified by the Internal Control Consultant and the Board; and (ii) the Company's actions.

Major deficiencies	Company's actions
Long term or short term cash flow forecast is not prepared regularly.	The Company will prepare semi-monthly or monthly cash flow forecast to enhance the control over cash and liquidity risk. If the cash flow forecast indicates insufficient cash, the Company may raise funds or change the use of the Proceeds to resolve its cash problem.
Only one authorized signatory is required for cheque payment.	The Company has implemented an independent check on the arrangement of cheque payment before it is approved by the authorized signatory.
There were occasions that the Proceeds were not used in the manner as announced.	The Company has rectified the deviation from intended use of the Proceeds and delegated Mr. Lo Yan Yee, an executive director of the Company and the chief financial officer of the Company to closely monitor the use of Proceeds.
There is no evidence to indicate that changes in bill of materials and sales orders, which translate into changes in purchase projection, are subsequently reflected in purchase requisition as well as the purchase orders placed with suppliers.	The Company has carried work to ensure the completeness of (i) customers or sales orders database; (ii) bill of materials database; (iii) purchase requisition; and (iv) purchase order database, and will make proper documentation in future.
The quality of the raw materials is presumed to be acceptable if the Production and Material Control Manager does not receive discrepancy report from the warehouse.	The Company will impose time limit (7 to 10 days) on the completion of quality check by the warehouse, and will make payment to the suppliers only if positive confirmation of quality of raw materials is obtained.

After the review of the Group's internal control system, the Directors are of the view that the effectiveness of the Company's internal control system has been improved.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lo Yan Yee (勞炘儀), aged 63, is the chairman of the Board as well as the factory general manager of the Group. Mr. Lo Yan Yee was appointed as an executive Director on 27 September 2013. He is the founder of the Group and has approximately 36 years of experience in the electronics industry of which he has spent over 24 years in managing his own business. He is responsible for managing and supervising the production teams and engineering teams in the Group's factory operation to ensure that all the environmental, quality, cost, delivery, budget and administration objectives are well achieved. Mr. Lo Yan Yee is also responsible for providing training to the staffs in the factory to enhance their effectiveness and knowledge so as to maximise production efficiency and utilise the labour force effectively. Mr. Lo Yan Yee commenced the work in the electronics industry in 1978, and prior to establishing Echo Electronics Co ("**Echo Co**"), a partnership formed in Hong Kong focusing on electronics manufacturing services, in 1989, he worked in the production department in various electronics companies in Hong Kong and acquired extensive experience in production and management. Mr. Lo Yan Yee finished Form One in 1966. Mr. Lo Yan Yee is the spouse of Ms. Cheng Yeuk Hung.

Ms. Cheng Yeuk Hung (鄭若雄), aged 58, is an executive Director and the chief operation officer of the Group. Ms. Cheng was appointed as an executive Director on 21 December 2010. She is the founder of the Company and has approximately 36 years of experience in the electronics industry of which she has spent over 24 years in managing her own business. She principally oversees the operation of the Hong Kong office. She also regularly communicates with the senior staffs in the factory as well as the suppliers of the Group to understand the trend of procurement. She is responsible for resource allocation in relation to the customers in different market segments. She is also responsible for product pricing management, marketing and business development to manage the profitability of each product manufactured by the Group. Prior to establishing Echo Co in 1989, she had worked in EDAX Industrial Company Limited from 1979 to 1988 as an operation manager whereby she became skilled at business promotion, procurement of raw materials, and resource management in the electronics industry. She finished her secondary education in 1975. Ms. Cheng is the spouse of Mr. Lo Yan Yee, the sister of Mr. Cheng Kwing Sang, Raymond and the mother of Mr. Lo Ding To.

Mr. Lo Ding To (勞碇淘), aged 28, was appointed as an executive Director on 27 September 2013. Mr. Lo Ding To, a son of Mr. Lo Yan Yee and Ms. Cheng Yeuk Hung, has had ample opportunity and is able to gain first hand knowledge and insight into the management and operation of the Group ever since his childhood through observing how the Group has been and is managed under his parents. While learning from his parents the skill and technique of managing and operating the Group's business operation, he also enjoys the benefit of their guidance and advice. Hence, even before Mr. Lo Ding To joined the Group, he is already well versed in the Group's day-to-day management and business operations. He therefore has an extensive understanding of the Group's overall business needs and compliance requirements. When Mr. Lo Ding To joined the Group in 2009 after his graduation from the University of East Anglia, United Kingdom, on the basis of his early learning and experience as aforesaid, he brought in new ideas about business strategy and operational functions, which help to enhance the production and quality assurance systems of the Group. Mr. Lo Ding To supervised a staff team in the then processing factory and 毅高達電子（深圳）有限公司 (Yi Gao Tech Electronics (Shanzhen) Co., Ltd*) and has been responsible for product development, quality control, production planning, logistics, shipping, warehouse and inventory management, as well as vendor management activities. Mr. Lo Ding To is currently the production manager of the Group and is responsible for overseeing the implementation of the day-to-day manufacturing operations. Mr. Lo Ding To obtained a Bachelor of Science in business management from the University of East Anglia, United Kingdom in 2009.

NON-EXECUTIVE DIRECTORS

Ms. Zhou Jia Lin, aged 42, has more than 16 years' working experience in the management of investment portfolios. She has been a non-executive non-independent director of Vashion Group Limited whose shares are listed on the Singapore Stock Exchange. She was a director of Lissington Limited from 2003 to 2014 and was responsible for overall management and formulation of business strategies and investment plans in various investment portfolios. She was also a director of Pinnacle Investment Limited from 1998 to 2002, who undertook corporate finance projects and assisted in sourcing for viable businesses to invest in.

Mr. Chan Chun Kit (陳振傑), aged 30, graduated from the University of Exeter with a Bachelor Degree in Business Studies (major in Finance and Economics) in 2009. He has been the compliance director of Supreme China Securities Limited, a licensed corporation to conduct type 1(dealing in securities) regulated activity under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO"), since August 2014. He has been a director of Neutron Sun Electronics Limited, an electronics sport equipment and software development company, since October 2012. Mr. Chan worked in Haitong International Securities Company Limited, a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 3 (leveraged foreign exchange trading) regulated activities under the SFO, as an assistant business manager in Forex and Bullion department from December 2009 to February 2013 and as an investment consultant from February 2013 to June 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Wai Yuen (林偉源), aged 49, was appointed as an independent non-executive Director on 27 September 2013. He has over 27 years of experience in the fields of assurance, corporate restructuring and internal control review. He is the managing partner of Eric W.Y. Lam & Company.

Mr. Ang Chuk Pai (洪竹派), aged 52, was appointed as an independent non-executive Director on 27 September 2013. He has been working as a system and network specialist in CN Group Limited which is an independent local media business based in Carlisle since 2007. He is responsible for (i) supporting the accounting department in both Hong Kong and the PRC office for backup management and file management (ii) procuring the information technology equipment and overseeing the cost on purchasing office equipment and (iii) managing the company server and maintaining the SAP (System Application Programing) system. Prior to joining CN Group Limited, he worked in HKNet Company Limited from March 2000 to January 2007 during which he worked as a system engineer in its technical department for approximately 1 year and as a data centre administrator and a senior engineer in its network operations department for approximately 4 years and 2 years respectively. From 1989 to 2000, he worked in Hutchison Telephone Company Limited, the mobile unit of Hutchison Telecom in Hong Kong, and was promoted from the post of Technician I to that of Engineer II. During such period, he was responsible for overall cell site activities involving coordination, cell site database, configuration & monitoring operation, site performance inspection and defect checking. From 1981 to 1988, he worked for three companies where he was responsible for the maintenance of sound and video equipment, intercom phone, fire system and other electrical appliance. He was awarded a General Course Certificate by Vocational Training Council and a Certificate in Electronics by Vocational Training Council in 1988 and in 1991 respectively. He was awarded a Craft Certificate in Advanced Electronic Servicing by Vocational Training Council in 1985. In 1981, he was awarded a Craft Certificate for Radio Mechanics by the Education Department of Hong Kong. In 1980, he finished his secondary education. Mr. Ang has over 20 years of experience in the electronics industry.

Mr. Cheung Chin Wa, Angus (張展華), aged 37, was appointed as an independent non-executive Director on 17 March 2014. He is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Cheung holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Mr. Cheung has extensive experience on corporate governance and company secretarial matters. He has been working in the company secretarial field for around 8 years and is currently the company secretary of China Agri-Products Limited (Stock Code: 149) and PNG Resources Holdings Limited (Stock Code: 221).

SENIOR MANAGEMENT

Mr. Cheng Kwing Sang, Raymond (鄭炯生), aged 65, was appointed as an executive Director on 27 September 2013, but he resigned from such position on 22 October 2015. Mr. Cheng is currently the chief executive officer as well as the marketing director of the Group. Mr. Cheng is responsible to conduct market research, deliver product development strategies and implement marketing plan of the Group. Mr. Cheng is also responsible for analysing market data, technology trends and competitors' pricing to establish pricing strategies. Mr. Cheng joined the Group in 1993 as the CEO and sales director of Echo Co and has approximately 21 years of experience in the electronics industry. Prior to joining the Group, Mr. Cheng worked as a boarding officer in the operation department of Hong Kong Maritime Company Limited from 1967 to 1978, run two restaurants in Belize, Central America from 1978 to 1984, and run a gas station and a restaurant in Youngstown, Alberta, Canada from 1984 to 1990. Mr. Cheng Kwing Sang finished his secondary education in 1966. Mr. Cheng Kwing Sang is the elder brother of Ms. Cheng Yeuk Hung.

Ms. Lui Wing Shan (雷穎珊), aged 35, is the company secretary and the chief financial officer of the Company and she joined the Group in June 2014. She is responsible for the company secretarial function, the review and supervision of the Group's overall internal control systems and accountancy function. She has more than 8 years of experience in accounting, auditing, tax, and consulting and is specialized in auditing and accounting. Ms. Lui holds a bachelor's degree in Business Commerce with a major in Accounting from Hong Kong Shue Yan University in 2005, and is currently a practicing member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Ms. Lui worked for various accounting firms and specialized in auditing and accounting.

Mr. Mo Zhaohe (莫兆和), aged 45, is the factory foreman of the processing factory of the Group. He is responsible for monitoring the factory production process and the plant operations flow and overseeing production and administration of the processing factory. Prior to joining the Group in April 1997, he worked as a workshop director in a company providing integrated manufacturing services from February 1994 to April 1997 and a production manager in a company manufacturing printers from September 1990 to December 1993. He has accumulated over 23 years of experience in factory administration and production management. Mr. Mo obtained the Diploma in Computer Science from the College of Continuing Education, Beijing Normal University in 1996.

Ms. Tai Shan Yu, Yoko (戴珊瑜), aged 39, is the purchasing manager of the Group. She has over 16 years of procurement and material control experience. She joined the Group in 1996 as the procurement and material control executive and was promoted to the purchasing manager of the Group in January 2011. She currently leads a team of staff to coordinate the customer quotation and the sourcing of raw materials. She is responsible for (i) developing strategies for reducing the cost of raw materials; (ii) handling supply chain issues and maintaining good relationship with suppliers; (iii) preparing reports on the trend of cost of raw materials; and (iv) monitoring the trends of EMS industry and keeping abreast of the technology changes. Prior to joining the Group, Ms. Tai had worked as a senior clerk in a company engaged in production of chemical products from 1993 to 1995 and was responsible for the procurement of chemical materials. Ms. Tai finished Form Four in 1992.

Mr. Ng Po Lung (吳寶龍), aged 38, is the logistics manager of the Group. Mr. Ng Po Lung joined the Group as logistics manager assistant of the Group on 13 March 2006. He has assumed the duties of the logistics manager since 12 October 2010 and was promoted to logistics manager of the Group on 1 April 2012. As a logistic manager, Mr. Ng Po Lung is in charge of daily operation of the logistics department, including logistics, transportation and customer service, and is responsible for overseeing the inventory management process and making strategies for appropriate inventory levels. He is also responsible for developing and maintaining transportation system on domestic and international freight, monitoring shipment updates and identifying shipment risk. In addition, he liaises with customers on delivery schedule, and collects feedback from the customers for formulating marketing plans and conducting market research with senior marketing management staff to determine sales cycle and strategy and to provide updated and efficient sales tools. Prior to joining the Group, Mr. Ng Po Lung worked as a contract senior clerk from 1998 to 2004 in Zung Fu Company Limited, which is the exclusive retailer of Mercedes-Benz automobiles in Hong Kong and Macau, whereby he was responsible for the preparation of car sales contract, the application for vehicle licence and the customs contracts for the importation of vehicles. Mr. Ng Po Lung finished his junior secondary education in 1995 and completed a two-year course at Morrison Hill Technical Institute and was awarded an Advance Certificate in Business Management in 1997.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also enhancing corporate performance and accountability.

Save as disclosed below, the Company has complied with the code provisions of the Code throughout the year ended 31 March 2015 (the "**Financial Year**").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as it own code governing securities transactions of the Directors. The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the standard set out in the Model Code throughout the year ended 31 March 2015.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors:	Mr. Lo Yan Yee *(Chairman)* Ms. Cheng Yeuk Hung Mr. Cheng Kwing Sang, Raymond *(resigned on 22 October 2014)* Mr. Lo Ding To
Non-executive Directors:	Ms. Zhou Jia Lin *(appointed on 22 October 2014)* Mr. Chan Chun Kit *(appointed on 30 January 2015 and redesignated on 9 March 2015)*
Independent Non-executive Directors:	Mr. Lam Wai Yuen Mr. Ang Chuk Pai Mr. Cheung Chin Wa, Angus Ms. Kwok Ni Ha *(resigned on 16 October 2014)* Mr. Shiu Shu Ming *(appointed on 8 August 2014 and resigned on 30 January 2015)*

The biographical details of the Directors and other senior management are set out on pages 14 to 17 of this report.

THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with Rules 5.05(2) of the GEM Listing Rules during the Financial Year relating to at least one of independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. During the Financial Year, the Company has complied with Rules 5.05A and 5.05(1) of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board. Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

BOARD MEETING ATTENDANCE

The attendance records of each member in the Board meetings during the Financial Year are set out as follows:

Name of director	Number of meetings attended/held
Mr. Lo Yan Yee	12/12
Ms. Cheng Yeuk Hung	12/12
Mr. Cheng Kwing Sang, Raymond *(resigned on 22 October 2014)*	7/7
Mr. Lo Ding To	12/12
Ms. Zhou Jia Lin *(appointed on 22 October 2014)*	5/5
Mr. Chan Chun Kit *(appointed on 30 January 2015)*	1/1
Mr. Lam Wai Yuen	11/12
Mr. Ang Chuk Pai	11/12
Mr. Cheung Chin Wa, Angus	12/12
Ms. Kwok Ni Ha *(resigned on 16 October 2014)*	5/6
Mr. Shiu Shu Ming *(appointed on 8 August 2014 and resigned on 30 January 2015)*	6/6

ANNUAL GENERAL MEETING

During the Financial Year, the Company only held one general meeting, being the annual general meeting of the Company held on 30 July 2014. Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Cheng Kwing Sang. Raymond, Mr. Lo Ding To, Mr. Lam Wai Yuen and Mr. Cheung Chin Wa, Augus attended such annual general meeting.

Pursuant to code provision A.6.7, independent non-executive directors should attend general meetings. Ms. Kwok Ni Ha (resigned as independent non-executive Directors on 16 October 2014) and Mr. Ang Chuk Pai were unable to attend the annual general meeting of the Company held on 30 July 2014 due to their other prior engagements.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are segregated and performed by Mr. Lo Yan Yee and Mr. Cheng Kwing Sang, Raymond, respectively.

RELATIONSHIP BETWEEN THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheng Yeuk Hung and Mr. Lo Yan Yee are couples. Mr. Lo Ding To is a son of Mr. Cheng Yeuk Hung and Mr. Lo Yan Yee. Mr. Cheng Kwing Sang, Raymond is the elder brother of Ms. Cheng Yeuk Hung.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every 3 years.

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year with effect from 11 October 2013, which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 22 October 2014 (in respect of Ms. Zhou Jia Lin); and (ii) 30 January 2015 (in respect of Mr. Chan Chun Kit), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lam Wai Yuen and Mr. Ang Chuk Pai); and (ii) 17 March 2014 (in respect of Mr. Cheung Chin Wa, Angus), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

Pursuant to the code provision A.1.8 of the Code, the Company should arrange appropriate insurance coverage in respect of legal action against its Directors. The Company has arranged the directors and officers liability insurance for its Directors during the Financial Year.

PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors, namely Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Lo Ding To, Mr. Chan Chun Kit, Ms. Zhou Jia Lin, Mr. Lam Wai Yuen, Mr. Ang Chuk Pai and Mr. Cheung Chin Wa, Angus, and all the former Directors, namely Mr. Cheng Kwing Sang, Raymond, Ms. Kwok Ni Ha, and Mr. Shiu Shu Ming, participated in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board during the Financial Year. A record of the training for the respective Directors are kept and updated by the company secretary of the Company.

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 27 September 2013. The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Company and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment. During the Financial Year, the Company adopted a whistleblowing policy in order to allow our employees or other stakeholders (e.g. suppliers and customers) of the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Mr. Lam Wai Yuen, Mr. Ang Chuk Pai and Mr. Cheung Chin Wa, Angus. Mr. Lam Wai Yuen is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

During 1 April 2014 up to the date of this report, the Audit Committee had reviewed the first quarterly results and report of the Company for the three months ended 30 June 2014, the interim results and report of the Company for the six months ended 30 September 2014, the third quarterly results and report of the Company for the nine months ended 31 December 2014 and the annual results and report of the Company for the year ended 31 March 2015. The Audit Committee also reviewed the Group's internal control system for the year. All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported regularly to the Board. During the Financial Year, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this report under the GEM Listing Rules. The Group's annual results for the year ended 31 March 2015 had been reviewed by the Audit Committee prior to the submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

The attendance records of each member of the Audit Committee meeting during the Financial Year are set out as follows:

Name of members of Audit Committee	**Number of meetings attended/held**
Mr. Lam Wai Yuen	4/4
Mr. Ang Chuk Pai	4/4
Mr. Cheung Chin Wa, Angus	4/4
Ms. Kwok Ni Ha *(resigned on 16 October 2014)*	2/2

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 27 September 2013. The Remuneration Committee currently consists of the two independent non-executive Directors Mr. Ang Chuk Pai, Mr. Cheung Chin Wa, Angus and one executive Director, Ms. Cheng Yeuk Hung. Mr. Ang Chuk Pai is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Remuneration Committee include consulting the Board about the remuneration proposals for all Directors and senior management, making recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management. The Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The attendance records of each member of the Remuneration Committee during the Financial Year are set out as follows:

Name of members of Remuneration Committee	Number of meetings attended/held
Ms. Cheng Yeuk Hung	5/5
Mr. Ang Chuk Pai	4/5
Mr. Cheung Chin Wa, Angus	5/5
Ms. Kwok Ni Ha *(resigned on 16 October 2014)*	1/2

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 27 September 2013. The Nomination Committee currently consists of the two independent non-executive Directors Mr. Ang Chuk Pai, Mr. Cheung Chin Wa, Angus and one executive Director Mr. Lo Ding To. Mr. Ang Chuk Pai is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors, in particular the Chairman and the chief executive officer.

During the Financial Year, the Board adopted a Board Diversity Policy setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All the appointments for the Board members will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

Selection and appointment of new directors will be based on a arrange of diversity perspectives, including but not limited to gender, age, cultural, educational background, qualifications, skills, knowledge, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee shall review the Board Diversity Policy established for implementing diversity on the Board periodically.

The attendance records of each member of the Nomination Committee are set out as follows:

Name of members of Nomination Committee	Number of meetings attended/held
Mr. Lo Ding To	2/3
Mr. Ang Chuk Pai	2/3
Mr. Cheung Chin Wa, Angus	3/3
Ms. Kwok Ni Ha *(resigned on 16 October 2014)*	0/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance duties according to the code provision D.3.1 of the Code, which includes:

(1) developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board;

(2) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(3) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

(4) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) reviewing the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

During the Financial Year, the Board reviewed and monitored the training and continuous professional development of the Directors and company secretary of the Company to comply with the Code and the GEM Listing Rules. Further, the Board also reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements. Lastly, the Board reviewed the Company's compliance with the Code and the disclosure of the Corporate Governance Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review on the system of internal controls of the Group, and it has taken and/or will take necessary actions and steps to address the internal control issues and deficiencies. The major deficiencies of the Group's internal control system and the Company's actions are set out in page 12 of this report.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Auditors' Remuneration

During the Financial Year, the fees paid to the Company's auditors is set out as follows:

Services rendered	**Fees paid/ payable** (HK$'000)
Audit services	450

The accounts for the Financial Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

COMPANY SECRETARY

Ms. Li Fung Shan was appointed as the company secretary of the Company on 27 September 2013 and she resigned as the company secretary of the Company with effect from 1 June 2014.

Ms. Lui Wing Shan ("**Ms. Lui**") was appointed as the company secretary of the Company on 1 June 2014. The biographical details of Ms. Lui are set out under the section headed "Biographical Details of Directors and Senior Management".

Ms. Lui has been informed of the requirement of the Rule 3.29 of the Listing Rules, and she confirmed that she had attained no less than 15 hours of relevant professional training during the Financial year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Room 2205, 22nd Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

RIGHT TO PUT ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles for including a resolution at an EGM. The requirements and procedures are set out above.

The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.echogroup.com.hk.

From the Financial Year, there had been no change in the Company's constitutional documents.

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 March 2015.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated as an exempted company with limited liability in Cayman Islands on 21 December 2010 under the Companies Law of the Cayman Islands.

Pursuant to the pre-listing reorganisation of the Group ("**Reorganisation**") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 14 March 2013. Details of the Reorganisation were set out in the paragraph head "the Reorganisation" in the section headed "History and development" in the Prospectus.

Following the capitalisation issue of 130,000,000 Shares and the placing of 60,000,000 Shares at a price of HK$0.60 per Share, the Company was listed in the GEM on 11 October 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of electronic products and accessories. The principal activities of its principal subsidiaries are set out in note 25 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by segments is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2015 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 36 to 100.

The Board does not recommend the payment of any final dividend for the year ended 31 March 2015.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 101.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 28 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalized by the Group during the year ended 31 March 2015.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2015.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 March 2015 are set out in note 30 to the consolidated financial statements and the consolidated statement of changes in equity on page 37, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$19.30 million. The amount of HK$14.46 million represents the Company's share premium, net of accumulated losses, which may be distributable 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 and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue for the year ended 31 March 2015 attributable to the Group's major customers and the percentages of purchases for the year ended 31 March 2015 attributable to the Group's major suppliers were as follows:

(1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 67.19% of the Group's total revenue. The amount of revenue from the Group's largest customers represented approximately 16.99% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 62.73% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 41.84% of the Group's total purchases.

None of the Directors nor any of their close associates nor any shareholders (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 Group's five largest customers and/or five largest suppliers during the year ended 31 March 2015.

DIRECTORS

The Directors during the year ended 31 March 2015 and up to the date of this report were as follows:

Executive Directors

Mr. Lo Yan Yee *(Chairman)*
Ms. Cheng Yeuk Hung
Mr. Cheng Kwing Sang, Raymond (resigned on 22 October 2014)
Mr. Lo Ding To

Non-executive Directors

Ms. Zhou Jia Lin (appointed on 22 October 2014)
Mr. Chan Chun Kit (appointed on 30 January 2015 and redesignated on 9 March 2015)

Independent non-executive Directors
Mr. Lam Wai Yuen
Mr. Ang Chuk Pai
Mr. Cheung Chin Wa, Angus
Ms. Kwok Ni Ha (resigned on 16 October 2014)
Mr. Shiu Shu Ming (appointed on 8 August 2014 and resigned on 30 January 2015)

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical Details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 17 in this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year with effect from 11 October 2013, which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 22 October 2014 (in respect of Ms. Zhou Jia Lin); and (ii) 30 January 2015 (in respect of Mr. Chan Chun Kit), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lam Wai Yuen and Mr. Ang Chuk Pai); and (ii) 17 March 2014 (in respect of Mr. Cheung Chin Wa, Angus), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. The appointment of the Directors is subject to the provisions of the Articles in force from time to time including, but not limited to, the removal provisions and provisions on retirement by rotation and re-election.

Pursuant to the Articles, Mr. Chan Chun Kit shall hold office until the forthcoming extraordinary general meeting on 14 July 2015 and shall retire from his office in such meeting. He will offer himself for re-election as a non-executive Director in such meeting.

Pursuant to the Articles, Ms. Zhou Jia Lin shall hold office until the forthcoming annual general meeting, and Mr. Lo Ding To, Mr. Lam Wai Yuen and Mr. Ang Chuk Pai shall retire from their offices as Directors in the forthcoming annual general meeting. They will offer themselves for re-election as the Directors in the forthcoming annual general meeting.

No Director proposed for re-election at the forthcoming extraordinary general meeting and annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

None of the Directors and the controlling shareholder of the Company (i.e. Ms. Cheng Yeuk Hung) had any material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2015.

SHARE OPTIONS SCHEMES

The Company has two share option schemes namely, the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and the share option scheme (the "**Share Option Scheme**") which were both adopted on 27 September 2013.

Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme on 27 September 2013 under which the Company has granted options to certain Directors of the Group to subscribe for an aggregate of 20,000,000 shares of the Company with an exercise price of HK$0.60, which is equal to the placing price as defined in the Prospectus.

As at 31 March 2015, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2014	Reclassified	Outstanding as at 31 March 2015	Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
Mr. Lo Yan Yee	5,700,000	—	5,700,000	11 October 2016–11 October 2023	2.59%
Ms. Cheng Yeuk Hung	5,700,000	—	5,700,000	11 October 2016–11 October 2023	2.59%
Mr. Cheng Kwing Sang, Raymond	5,600,000	(5,600,000)	—	11 October 2016–11 October 2023	—
Mr. Lo Ding To	3,000,000	—	3,000,000	11 October 2016–11 October 2023	1.36%
	20,000,000	(5,600,000)	14,400,000		6.54%
Employee	—	5,600,000	5,600,000	11 October 2016–11 October 2023	2.55%
	20,000,000	**—**	**20,000,000**		**9.09%**

Share Option Scheme

During the year ended 31 March 2015, no option was granted, exercised or lapsed under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("**SFO**") which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

(i) Long positions in the shares of the Company

Name of Director	Capacity	Number of Shares	Approximate percentage of interest
Ms. Cheng Yeuk Hung	Personal interest	87,640,000	43.82%
Mr. Lo Yan Yee	Interest of spouse	87,640,000	43.82%

Note: Mr. Lo Yan Yee is the executive Director and the spouse of Madam Cheng, and is deemed under the SFO to be interested in those 87,640,000 shares in which Madam Cheng is interested.

(ii) Long position in underlying shares of the Company

Name	Capacity	Description of equity derivatives	Number of underlying shares
Mr. Lo Yan Yee (executive Director)	Personal interest	Options	5,700,000
	Interest of spouse	Options	5,700,000
			11,400,000
Ms. Cheng Yeuk Hung (executive Director)	Personal interest	Options	5,700,000
	Interest of spouse	Options	5,700,000
			11,400,000
Mr. Cheng Kwing Sang, Raymond (chief executive officer)	Personal interest	Options	5,600,000
Mr. Lo Ding To (executive Director)	Personal interest	Options	3,000,000

Save as disclosed above, as at 31 March 2015, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2015, so far as is known to the Directors, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital	Long/Short position/ Lending Pool
Adamas Asset Management (HK) Limited	Investment manager	24,840,000	12.42%	Long position
Citigroup Inc.	Interest of controlled corporation	25,692,000	12.85%	Long position
Hui Chau Yuet	Beneficial owner	13,780,000	6.89%	Long position
Siu Hiu Ki Jamie	Beneficial owner	20,000,000	10%	Long position
	Beneficial owner	8,355,556	4.20%	Short position
	—	11,644,444	5.82%	Lending Pool
Sunny Luck International Ltd	Beneficial owner	20,000,000	10%	Long position
	Beneficial owner	8,355,556	4.20%	Short position
	—	11,644,444	5.82%	Lending Pool

Save as disclosed above, as at 31 March 2015, the Directors are not aware of any other persons (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 March 2015.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company are set out in note 14 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

CONFIRMATION OF INDEPENDENCE

Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the public float of the Company had fallen below 25% of the total issued share capital of the Company since 4 December 2013 up to 8 July 2014. On 9 July 2014, Ms. Cheng Yeuk Hung, the controlling shareholder of the Company, disposed of an aggregate of 16,200,000 Shares, representing 8.1% of the total issued share capital of the Company, to purchasers who are third parties independent of the Company and its connected person (as defined under the GEM Listing Rules). Following the said disposal, the minimum public float of 25% as required under Rule 11.23(7) of the GEM Listing Rules has been restored on 9 July 2014.

Save as disclosed above, the Company has maintained a sufficient public float during the year ended 31 March 2015.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The rental paid to Progress International Holdings Limited, the salary paid to Mr. Lo Ding Kwong and the remuneration to the Directors as disclosed in note 34 to the consolidated financial statements constituted continuing connected transactions, and are exempt from the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. Other than that, the Directors are not aware of any related party transactions as disclosed in note 34 to the consolidated financial statements constituted a connected transaction or a continuing connected transaction of the Group under the GEM Listing Rules.

COMPETING BUSINESS

For the year ended 31 March 2015, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

COMPLIANCE OF DEED OF NON-COMPETITION

Ms. Cheng Yeuk Hung (the "**Controlling Shareholder**") had entered into a deed of non-competition dated 27 September 2013 (the "**Deed of Non-Competition**") in favour of the Company (for itself and on behalf of its subsidiaries), pursuant to which the Controlling Shareholder had undertaken, among others, (i) she would not, and would procure her close associates not to, except through their interests in the Company, participate in, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which will or may compete with the businesses engaged by the Group (the "**Restricted Business**"); and (ii) if any business opportunity, which would cause the Controlling Shareholder and/or any of her close associates to be directly or indirectly engaged or interested in any Restricted Business, has come to her attention, she would promptly notify the Company in writing and refer such business opportunity to the Company for consideration and provide such information as may be reasonably required by the Company in order to make an informed assessment of such business opportunity.

Details of the Deed of Non-Competition are set out in the section headed "Controlling, Substantial and Significant Shareholders — Deed of Non-Competition" of the Prospectus.

In order to ensure the Controlling Shareholder has complied with the Deed of Non-Competition, the following actions have been taken:

(1) the Company has enquired the Controlling Shareholder, from time to time, on whether she or any of her close associates has engaged in any business which competes or might compete with the business of the Group before publication of its quarterly, interim and annual reports, and the Company has gained an understanding from the Controlling Shareholder that she or any of her close associates has not engaged in any business which compete or might compete with the business of the Group, which had been disclosed in the Company's quarterly, interim and annual reports;

(2) the Company has required the Controlling Shareholder to give confirmation to the Company on an annual basis as to whether she and her close associates have complied with the Deed of Non-Competition;

(3) the Controlling Shareholder has provided to the Company such written confirmation in respect of the compliance with the Deed of Non-competition by her and her close associates during the Financial Year; and

(4) the independent non-executive directors of the Company have reviewed the status of compliance by the Controlling Shareholder with the undertakings in the Deed of Non-Competition during the Financial Year and confirmed that, so far as they can ascertain, the Controlling Shareholder has complied with the Deed of Non-competition.

As at 31 March 2015, the Company is not aware of any other matters regarding the compliance of the Deed of Non-Competition that are required to be brought to the attention of the shareholders of the Company, and there has not been any change in terms of the Deed of Non-Competition during the Financial Year.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, RaffAello Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser on 8 August 2014, none of the Compliance Adviser, or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group (including options or rights to subscribe for such securities) as at 31 March 2015 which is required to be notified to the Company pursuant to Rule 6A 32 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 18 to 25 of this report.

EVENTS AFTER THE REPORTING PERIOD

On 11 June 2015, the Board proposes that each of the existing issued and unissued Shares of HK$0.01 each in the share capital of the Company be subdivide d into four subdivided shares of HK$0.0025 each (the "**Share Consolidation**"). It is expected that the Share Consolidation will take effect from 15 July 2015.

Save as disclose above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2015 and up to the date of this report.

AUDITORS

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Lo Yan Yee
Chairman

Hong Kong, 25 June 2015

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
ECHO INTERNATIONAL HOLDINGS GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Echo International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 100, which comprise the consolidated and the Company statements of financial position as at 31 March 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 March 2015 and of the Group's loss 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 25 June 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	6	**51,807**	51,328
Cost of sales		**(41,128)**	(35,602)
Gross profit		**10,679**	15,726
Other revenue and gains	8	**277**	278
Selling and distribution expenses		**(2,329)**	(1,162)
Administrative and other expenses		**(21,189)**	(22,920)
Finance costs	9	**(69)**	(72)
Loss before taxation	10	**(12,631)**	(8,150)
Taxation	11	**—**	(571)
Loss for the year		**(12,631)**	(8,721)
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**137**	292
Other comprehensive income for the year, net of income tax		**137**	292
Total comprehensive loss for the year		**(12,494)**	(8,429)
Loss for the year attributable to the owners of the Company		**(12,631)**	(8,721)
Total comprehensive loss for the year attributable to the owners of the Company		**(12,494)**	(8,429)
Loss per share	13		
— Basic and diluted (HK cents)		**(6.3)**	(5.2)

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	17	**1,052**	1,444
Current assets			
Inventories	18	**19,981**	18,498
Trade receivables	19	**9,332**	8,961
Amount due from a related company	20	**64**	36
Deposits, prepayments and other receivables	21	**7,752**	7,100
Pledged time deposits	22	**10,041**	—
Cash and bank balances	22	**1,589**	20,840
		48,759	55,435
Current liabilities			
Trade payables	23	**5,287**	1,616
Accruals and other payables	24	**1,538**	1,957
Bank overdrafts	22	**704**	—
Trade deposits received		**1,149**	157
Bank borrowings	26	**49**	1,920
Obligation under finance leases	27	**117**	117
Current tax liabilities		**700**	163
		9,544	5,930
Net current assets		**39,215**	49,505
Total assets less current liabilities		**40,267**	50,949
Non-current liability			
Obligation under finance leases	27	**341**	459
Net assets		**39,926**	50,490
Capital and reserves			
Share capital	28	**2,000**	2,000
Reserves		**37,926**	48,490
Total equity		**39,926**	50,490

Approved by the Board of Directors on 25 June 2015 and signed on its behalf by:

Lo, Yan Yee	**Cheng, Yeuk Hung**
Executive Director	*Executive Director*

The accompanying notes form an integral part of consolidated financial statements.

Statement of Financial Position

As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investments in subsidiaries	25	**99**	99
Current assets			
Amount due from a subsidiary	25	**16,000**	16,000
Deposits, prepayments and other receivables	21	**68**	5,929
Pledged time deposits	22	**10,041**	—
Cash and bank balance	22	**2**	19,771
		26,111	41,700
Current liabilities			
Amounts due to a subsidiaries	25	**1,368**	15,581
Bank overdrafts	22	**704**	—
		2,072	15,581
Net current assets		**24,039**	26,119
Net assets		**24,138**	26,218
Capital and reserves			
Share capital	28	**2,000**	2,000
Reserves	30	**22,138**	24,218
Total equity		**24,138**	26,218

Approved by the Board of Directors on 25 June 2015 and signed on its behalf by:

Lo, Yan Yee
Executive Director

Cheng, Yeuk Hung
Executive Director

The accompanying notes form an integral part of consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Share capital HK$'000	**Share premium** HK$'000	**Contribution reserve** HK$'000 Note 30(a)	**Capital reserve** HK$'000 Note 30(b)	**Share option reserve** HK$'000	**Exchange reserve** HK$'000 Note 30(c)	**Retained earnings** HK$'000	**Total** HK$'000
As at 1 April 2013	100	—	—	(89)	—	321	22,102	22,434
Loss for the year	—	—	—	—	—	—	(8,721)	(8,721)
Other comprehensive income for the year	—	—	—	—	—	292	—	292
Total comprehensive income/(loss) for the year	—	—	—	—	—	292	(8,721)	(8,429)
Capitalisation issue	1,300	(1,300)	—	—	—	—	—	—
Special contribution by shareholder	—	—	4,836	—	—	—	—	4,836
Placing of new shares (net of issuing cost)	600	30,140	—	—	—	—	—	30,740
Employee share option benefits (Note 29)	—	—	—	—	909	—	—	909
As at 31 March 2014 and 1 April 2014	2,000	28,840	4,836	(89)	909	613	13,381	50,490
Loss for the year	—	—	—	—	—	—	(12,631)	(12,631)
Other comprehensive income for the year	—	—	—	—	—	137	—	137
Total comprehensive income/(loss) for the year	—	—	—	—	—	137	(12,631)	(12,494)
Employee share option benefits (Note 29)	—	—	—	—	1,930	—	—	1,930
As at 31 March 2015	**2,000**	**28,840**	**4,836**	**(89)**	**2,839**	**750**	**750**	**39,926**

The accompanying notes form an integral part of consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	2015	2014
	HK$'000	HK$'000
Operating activities		
Loss before taxation	**(12,631)**	(8,150)
Adjustments for:		
Interest income	**(43)**	(20)
Gain on disposal of property, plant and equipment	**—**	(39)
Share based payment	**1,930**	909
Interest expenses	**69**	72
Depreciation of property, plant and equipment	**509**	456
Operating cash flows before movements in working capital	**(10,166)**	(6,772)
(Increase)/decrease in trade receivables	**(371)**	5,703
Increase in inventories	**(1,483)**	(3,246)
(Increase)/decrease in deposits, prepayments and other receivables	**(652)**	349
(Increase)/decrease in amount due from a related company	**(28)**	77
Decrease in accruals and other payables	**(419)**	(76)
Increase/(decrease) in trade deposits received	**992**	(976)
Increase/(decrease) in trade payables	**3,671**	(1,988)
Cash used in operations	**(8,456)**	(6,929)
Income tax refund/(paid)	**537**	(2,299)
Net cash used in operating activities	**(7,919)**	(9,228)
Investing activities		
Interest received	**43**	20
Increase in pledged time deposits	**(10,041)**	—
Purchase of property, plant and equipment	**(111)**	(548)
Net cash used in investing activities	**(10,109)**	(528)
Financing activities		
Proceeds from issue of shares	**—**	30,740
Decrease in amount due to a director	**—**	(1,229)
Proceeds from bank borrowings	**578**	2,299
Repayment of bank borrowings	**(2,449)**	(2,523)
Interest paid	**(69)**	(72)
Repayment of obligation under finance leases	**(118)**	(73)
Net cash (used in)/generated from financing activities	**(2,058)**	29,142

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2015

	2015 HK$'000	2014 HK$'000
Net (decrease)/increase in cash and cash equivalents	**(20,086)**	19,386
Cash and cash equivalents at the beginning of the year	**20,840**	1,215
Effect of exchange rates on the balance of cash held in foreign currencies	**131**	239
Cash and cash equivalents at the end of the year	**885**	20,840
Analysis of the balance of cash and cash equivalents:		
Being:		
Cash and cash equivalents	**1,589**	20,840
Bank overdraft	**(704)**	—
	885	20,840

1. GENERAL INFORMATION

Echo International Holdings Group Limited was incorporated as an exempted company with limited liability in Cayman Islands on 21 December 2010 under the Companies Law of the Cayman Islands. The addresses of the registered office is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and its principal place of business of the Company is Room 2205, 22/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling shareholder is Ms. Cheng Yeuk Hung ("Madam Cheng").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are engaged in the manufacturing and trading of electronic products and accessories. The consolidated financial statements are presents in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. All values are rounded to nearest thousands (HK$'000), unless otherwise stated.

2. REORGANISATION

Pursuant to the pre-listing reorganisation of the Group ("Reorganisation") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 14 March 2013. The Reorganisation was completed by interspersing the Company, Gold Treasure Hung Group Limited ("Gold Treasure"), Echo Electronics Company Limited ("Echo Electronics") between Mr. Lo Yan Yee, Ms. Cheng Yeuk Yu and Madam Cheng and Yi Gao Tech Electronics (Shenzhen) Co. Ltd. ("Yi Gao Tech").

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Details of the Reorganisation were set out in the paragraph head "the Reorganisation" in the section headed "History and development" in the prospectus dated 30 September 2013 (the "Prospectus").

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") (which included all HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2014.

A summary of the new and revised HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) — Int 21	Levies

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 — *Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 — *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 39 — *Novation of Derivatives and Continuation of Hedge Accounting*

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 39 — *Novation of Derivatives and Continuation of Hedge Accounting (continued)*

As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK (IFRIC) — Int 21 *Levies*

The Group has applied HK(IFRIC) — Int 21 *Levies* for the first time in the current year. HK(IFRIC) — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in the consolidated financial statements:

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transaction Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[4]
HKAS 1 (Amendments)	Presentation of Financial Statements — Disclosure initiative[4]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[4]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contribution[1]
HKAS 27 (Amendments)	Equity method in Separate Financial Statements[4]
HKFRS 10, HKFRS 12 And HKAS 28 (Amendments)	Investment Equities: Applying the consolidation Exception[3]
HKFRS 10, HKFRS 12 And HKAS 28 (2014) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application permitted.
[3] Effective for first annual HKFRSs financial statements beginning on or after 1 January 2016, 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 January 2017, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

HKFRS 9 — *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 — *Financial Instruments (continued)*

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 will have no material impact on the Group's financial performance and positions.

HKFRS 15 — *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 15 — *Revenue from Contracts with Customers (continued)*

HKFRS 15 is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 — *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit ("CGU") to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments to HKAS 16 and HKAS 38 are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 16 and HKAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation (continued)*

The directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 — *Agriculture: Bearer Plants*

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The amendments to HKAS 16 and HKAS 41 are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 — *Defined Benefit Plans: Employee Contributions*

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 27 — *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements.

- At cost;
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9); or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 27 — *Equity Method in Separate Financial Statements (continued)*

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The amendments to HKAS 27 are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments to HKAS 28 and HKFRS 10 are effective for annual periods on or after 1 January 2016 with earlier application permitted.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)*

The directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss.

The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Annual Improvements to HKFRSs 2010–2012 Cycle (continued)

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The amendments to HKFRSs are effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments to HKFRSs are effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The amendments to HKFRSs are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements has been prepared in accordance with HKFRSs issued by the HKICPA. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32). In accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("GEM Listing Rules").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Business consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 owners of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provis*ions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Merger accounting for common control combination

The consolidated financial statements incorporate the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for common control combination (continued)

The consolidated statements of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(i) *Sales of goods*

Revenue is recognised when goods are recognised on the transfer of risks and rewards of ownership, which generally considers with the time when goods are delivered to customers and title has passed. Revenue is recognised after deduction of any trade discounts.

(ii) *Subcontracting income*

Revenue from the provision of subcontracting service is recognised when the service are provided.

(iii) *Interest income*

Interest income from bank deposits is accrued on a timing basis, by reference to the principal outstanding and at the interest rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The functional currency of the Company and its Hong Kong subsidiary is HK$. The functional currency of the People's Republic of China ("PRC") subsidiary is Renminbi ("RMB"). The consolidated financial statements is presented in HK$ which is the Group's presentation currency. This is also the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the consolidated financial statements of each individual Group entities, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the reporting period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange difference on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the asset and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in entity under the heading of exchange reserve.

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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of nonmonetary benefits are accrued in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statements of comprehensive income as they become payable in accordance with the rules of the MPF Scheme.

As stipulated by the rules and regulations of the PRC, the Company's subsidiary registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirements are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form in integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year end. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively when current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Depreciation is recognised in the consolidated statements of financial position so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Office equipment	3–4 years
Computer equipment	3–4 years
Motor vehicles	3–4 years
Mould	3–4 years
Plant and machinery	3–4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average basis and, in the case of work in progress and finished goods, includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in which the reversal occurs.

Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at the end of each of reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on effective basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade receivables, amount due from a related company, other receivables, pledged time deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Financial liabilities and equity instruments

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade payables, other payables, bank overdrafts, bank borrowings and obligation under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense as recognised on an effective interest basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset expire, or when financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are removed from the Group's consolidated statements of financial position when the obligations specified in the relevant contract are discharged cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of assets

(i) Financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimate future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of within 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (continued)

(i) Financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Other assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 the impairment loss (if any). When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cashgenerating 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 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 impairment loss is treated as a revaluation decrease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions

A party is considered to be related to the Group if:

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

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

- (i) The entity and the Group 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 (1).
- (vii) A person identified (1)(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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A related party transaction is a transfer of resources, services or obligations between reporting entity and a related party, regardless of whether a price is charged.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's executive directors, being the chief operating decision maker, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Share based payment arrangements

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(b) Impairment of trade receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the require payments. The estimate is based on the aging of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

(c) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Share based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(d) Share based payment (continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

6. REVENUE

The principal activities of the Group are manufacturing and trading of electronic products and accessories. The amount of each significant category of revenue recognised during the year is as follows:

	2015 **HK$'000**	2014 HK$'000
Sale of electronic products	**51,026**	50,400
Subcontracting income	**781**	928
	51,807	51,328

7. SEGMENT INFORMATION

Information reported internally to the directors of the Group (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- indent trading of electronic products.
- manufacturing and trading of electronic products and accessories.

The Group reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Segment revenues reported below represents revenue generated from external customers. There were no inter-segment sale for both years.

Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share based payment, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

The following is an analysis of the Group's turnover and results from continuing separations by reportable and operating segments:

For the year ended 31 March 2015

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Total HK$'000
Revenue	**16,808**	**34,999**	**51,807**
Segment results	**1,791**	**(7,616)**	**(5,825)**
Unallocated other revenue and gains			**153**
Unallocated selling and distribution expenses			**(1,327)**
Unallocated administrative and other expenses			**(5,598)**
Loss from operations			**(12,597)**
Finance costs			**(34)**
Loss before taxation			**(12,631)**
Taxation			**—**
			(12,631)

For the year ended 31 March 2014

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Total HK$'000
Revenue	—	51,328	51,328
Segment results	—	116	116
Unallocated other revenue and gains			168
Unallocated selling and distribution expenses			(601)
Unallocated administrative and other expenses			(7,807)
Loss from operations			(8,124)
Finance costs			(26)
Loss before taxation			(8,150)
Taxation			(571)
Loss for the year			(8,721)

7. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable segment:

As at 31 March 2015

	Indent trading of electronic products HK$'000	**Manufacturing and trading of electronic products and accessories HK$'000**	**Total HK$'000**
Segment assets	**2,856**	**40,995**	**43,851**
Unallocated corporate assets			**5,960**
Consolidated assets			**49,811**
Segment liabilities	**3,544**	**3,641**	**7,185**
Unallocated corporate liabilities			**2,700**
Consolidated liabilities			**9,885**

As at 31 March 2014

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Total HK$'000
Segment assets	—	30,172	30,172
Unallocated corporate assets			26,707
Consolidated assets			56,879
Segment liabilities	—	3,856	3,856
Unallocated corporate liabilities			2,533
Consolidated liabilities			6,389

7. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of amount due from a related company, deposits, payments and other receivables); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising certain of bank overdrafts, obligations under finance leases, accruals and other payables).

Other segment information

For the year ended 31 March 2015

	Indent trading of electronic products HK$'000	**Manufacturing and trading of electronic products and accessories HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Amount included in the measure of segment results				
Capital expenditure	—	**111**	—	**111**
Depreciation of property, plant and equipment	—	**270**	**239**	**509**

For the year ended 31 March 2014

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Unallocated HK$'000	Total HK$'000
Amount included in the measure of segment results				
Capital expenditure	—	398	702	1,100
Depreciation of property, plant and equipment	—	309	147	456
Gain on disposal of property, plant and equipment	—	—	(39)	(39)

7. SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results of segments assets:

For the year ended 31 March 2015

	Indent trading of electronic products HK$'000	**Manufacturing and trading of electronic products and accessories HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Interest income	**—**	**2**	**41**	**43**
Finance costs	**—**	**35**	**34**	**69**

For the year ended 31 March 2014

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	—	4	16	20
Finance costs	—	46	26	72
Income tax expenses	—	571	—	571

7. SEGMENT INFORMATION (CONTINUED)

Revenue from major products and services

The Group's revenue from its major products and services are as follows:

	2015	2014
	HK$'000	HK$'000
Starter	**524**	634
Security alarm	**515**	2,834
Hair remover	**4,131**	4,743
Buzzer	**5,409**	5,323
Massage toner	**2,690**	5,159
Fishing indicator	**3,738**	14,670
Charger board	**518**	1,189
Control board	**10,954**	4,272
Fire alarm	**4,897**	3,914
Communicator	**740**	1,793
Others	**16,910**	5,869
	51,026	50,400
Subcontracting income	**781**	928
Total	**51,807**	51,328

Geographical information

The Group operates in two principal geographical areas — manufacturing in the PRC and trading business in Hong Kong.

The Group's geographical segments are classified according to the location of customers. There are four customer-based geographical segments. Segment revenue from external customers by the location of customer is as follows:

	Revenue from external customers	
	2015	2014
	HK$'000	HK$'000
Hong Kong	**17,572**	4,060
Asia Countries, other than Hong Kong (Note 1)	**3,637**	3,373
European Countries (Note 2)	**18,833**	34,457
United States	**9,338**	7,651
Others	**2,427**	1,787
	51,807	51,328

7. SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

Notes:

1. Asian countries include the PRC, Malaysia, Singapore, and Taiwan.

2. European countries include Argentina, Belgium, Bulgaria, Denmark, Finland, France, Germany, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, Ukraine and United Kingdom.

The Group's geographical segments are also classified by the location of assets, information about its non-current assets by geographical location are detailed set out below:

	Additions to Non-current assets		**Non-current assets**	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**102**	767	**597**	768
PRC	**9**	333	**455**	676
	111	1,100	**1,052**	1,444

Information about major customers

For the year ended 31 March 2015, the Group's customer base includes four customers (2014: two customers) with whom transactions have individually exceeded 10% of the Group's revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2015 and 2014.

Revenue from major customers, it amounted to 10% or more of the Group's revenue is set out below:

	Revenue from external customers	
	2015	2014
	HK$'000	HK$'000
Customer A	**6,191**	9,542
Customer B (Note (a))	**—**	14,670
Customer C (Note (b))	**8,801**	—
Customer D (Note (b))	**7,873**	—
Customer E (Note (b))	**7,038**	—
	29,903	24,212

Note:

(a) No information on revenue for the current year is disclosed for this customer since this customer did not contribute 10% or more to the Group's revenue for the year ended 31 March 2015.

(b) No information on revenue for the last year is disclosed for these customers since none of them contributed 10% or more to the Group's revenue for the year ended 31 March 2014.

8. OTHER REVENUE AND GAINS

	2015 HK$'000	2014 HK$'000
Bank interest income	**43**	20
Gain on disposal of property, plant and equipment	**—**	39
Net foreign exchange gain	**64**	—
Sundry income	**170**	219
	277	278

9. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interests on:		
— Bank borrowings wholly repayable within five years	**35**	46
— Bank overdrafts wholly repayable within five years	**23**	—
— Obligation under finance leases	**11**	26
	69	72

10. LOSS BEFORE TAXATION

	2015 HK$'000	2014 HK$'000
Loss before taxation is arrived after charging:		
Staff costs including directors' remuneration	**16,580**	14,731
Contribution to retirement schemes	**969**	1,425
Share based payment expenses	**1,930**	909
Total staff costs	**19,479**	17,065
Depreciation of property, plant and equipment (Note 17)	**509**	456
Auditors' remuneration	**450**	450
Cost of inventories sold	**24,562**	32,764
Operating lease rental expenses	**3,131**	2,982
Listing expenses	**100**	5,210

11. TAXATION

	2015	2014
	HK$'000	HK$'000
Current tax		
— Hong Kong	**—**	571

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong for the year ended 31 March 2015 and 2014.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25%. Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdiction.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the year ended 31 March 2015 and 2014.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision the PRC Enterprise Income Tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC for the year ended 31 March 2015 and 2014.

No deferred tax liabilities was provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits as at 31 March 2015 would not be distributed in the foreseeable future.

The Group has tax losses approximately of HK$1,241,000 (2014: Nil) which are available indefinitely for affecting against future taxable profits of the companies in which the losses arose and deferred tax assets have not been recognised in respect of these losses because in the opinion of the Directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2015	2014
	HK$'000	HK$'000
Loss before taxation	**(12,631)**	(8,150)
Tax at the applicable tax rate	**(2,084)**	(1,345)
Tax effect of non-deductible expense for tax purpose	**516**	183
Unrecognised temporary difference	**176**	958
Tax effect of tax losses not recognised	**2,004**	1,174
Effect of different tax rate of group entities operating in jurisdictions other than Hong Kong	**(612)**	(399)
	—	571

12. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 31 March 2015 (2014: HK$Nil).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of the Company's ordinary shares in issue during the year.

	2015 **HK$'000**	2014 HK$'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	**(12,631)**	(8,721)

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**200,000,000**	168,273,973

For the purpose of this report, the calculation of the basic loss per share attributable to owners of the Company for the year ended 31 March 2014 is based on the weighted average number of shares (comprising 10,000,000 shares in issue and 130,000,000 shares to be issued under the capitalisation issue as described in Appendix V "Statutory and General Information" to the Prospectus) as if theses 140,000,000 shares were outstanding throughout the year ended 31 March 2014. On 11 October 2013, the Company newly issued 60,000,000 shares as the result of the Listing.

The diluted loss per share is the same as the basic loss per share for the year ended 31 March 2015 and 2014 because the Company's share options outstanding during these years were either anti-dilutive or have no potential dilutive effect.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The aggregate amounts of emoluments paid by the Group to the directors of the Company during the year are as follows:

	2015 **HK$'000**	2014 HK$'000
Directors' fees	**795**	301
Salaries, allowances and benefits in kind	**1,510**	1,197
Discretionary bonus	**—**	—
Retirement scheme contributions	**59**	52
Share based payment expenses	**1,930**	909
	4,294	2,459

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Details for the emoluments of each director of the Company during the year are as follows:

For the year ended 31 March 2015

	Share base payment HK$'000	Directors' fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:						
Mr. Lo Yan Yee *(Chairman)*	**550**	**97**	**350**	**—**	**14**	**1,011**
Madam Cheng	**550**	**97**	**350**	**—**	**14**	**1,011**
Mr. Cheng Kwing Sang, Raymond (Note (g))	**540**	**51**	**350**	**—**	**14**	**955**
Mr. Lo Ding To	**290**	**97**	**460**	**—**	**17**	**864**
Non-executive directors:						
Mr. Chan Chun Kit (Note (e))	**—**	**7**	**—**	**—**	**—**	**7**
Mr. Zhou Jia Lin (Note (d))	**—**	**47**	**—**	**—**	**—**	**47**
Independent non-executive directors:						
Mr. Ang Chuk Pai	**—**	**97**	**—**	**—**	**—**	**97**
Ms. Kwok Ni Ha (Note (a))	**—**	**49**	**—**	**—**	**—**	**49**
Mr. Cheung Chin Wa, Angus (Note (c))	**—**	**97**	**—**	**—**	**—**	**97**
Mr. Lam Wai Yuen	**—**	**97**	**—**	**—**	**—**	**97**
Mr. Chan Chun Kit (Note (e))	**—**	**13**	**—**	**—**	**—**	**13**
Mr. Shiu Shu Ming (Note (f))	**—**	**46**	**—**	**—**	**—**	**46**
	1,930	**795**	**1,510**	**—**	**59**	**4,294**

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 March 2014

	Share base payment HK$'000	Directors' fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:						
Mr. Lo Yan Yee *(Chairman)*	259	42	260	—	12	573
Madam Cheng	259	42	260	—	13	574
Mr. Cheng Kwing Sang, Raymond (Note (g))	255	42	260	—	12	569
Mr. Lo Ding To	136	42	417	—	15	610
Independent non-executive directors:						
Mr. Ang Chuk Pai	—	42	—	—	—	42
Ms. Kwok Ni Ha (Note (a))	—	4	—	—	—	4
Mr. Chan Chung Yin, Victor (Note (b))	—	40	—	—	—	40
Mr. Cheung Chin Wa, Angus (Note (c))	—	4	—	—	—	4
Mr. Lam Wai Yuen	—	43	—	—	—	43
	909	301	1,197	—	52	2,459

Notes:

(a) Ms. Kwok Ni Ha has been appointed as an independent non-execute director on 17 March 2014 and resigned on 16 October 2014.

(b) Mr Chan Chung Yiu, Victor has been resigned as an independent non-execute director on 17 March 2014.

(c) Mr. Cheung Chin Wa, Angus has been appointed as an independent non-execute director on 17 March 2014.

(d) Mr. Zhou Jia Lin has been appointed as an non-execute director on 22 October 2014.

(e) Mr. Chan Chin Kit has been appointed as an independent non-execute director on 30 January 2015 and redesignated as non-executive director on 9 March 2015.

(f) Mr. Shiu Shu Ming has been appointed as independent non-executive director on 8 August 2014 and resigned on 30 January 2015.

(g) Mr. Cheng Kwing Sang, Raymond was also the chief executive officer of the Company and has been resigned as executive director on 22 October 2014.

There were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join (2014: Nil). There was no arrangement under which the chief executive and directors waived or agreed to waive any remuneration during the year (2014: Nil). During the year ended 31 March 2015, none of the chief executive and directors were granted share options under the share option scheme operated by the Company (2014: 20,000,000 share option granted to directors of the Company).

15. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individual

The five highest paid individuals during the year are four directors (2014:one) with their emoluments disclosed in Note 14.

The detail of the emoluments of the remain one (2014: four) highest paid individuals are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and other benefits	**759**	2,141
Retirement schemes contributions	**18**	60
	777	2,201

The emoluments of the one (2014: four) individuals with the highest emoluments are fell within the following band is as follows:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000	**1**	4

(b) Senior Management of the Company

The emoluments of the senior management other than the highest paid individuals of the Group is within the following band:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000	**4**	4

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the year.

16. LOSS OF THE COMPANY

The net loss for the year dealt with in the financial statements of the Company amounted to approximately HK$4,010,000 (2014: net loss of approximately HK$6,748,000).

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture & fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Mould HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost								
As at 1 April 2013	2,095	205	1,532	731	1,165	32	4,310	10,070
Additions	—	—	—	65	702	—	333	1,100
Written off on disposal	—	—	—	—	(622)	—	—	(622)
Exchange realignment	—	—	3	—	6	—	24	33
As at 31 March 2014 and 1 April 2014	2,095	205	1,535	796	1,251	32	4,667	10,581
Additions	—	—	44	58	—	—	9	111
Written off on disposal	—	—	—	—	—	—	(4)	(4)
Exchange realignment	—	—	1	—	1	—	8	10
As at 31 March 2015	**2,095**	**205**	**1,580**	**854**	**1,252**	**32**	**4,680**	**10,698**
Accumulated depreciation								
As at 1 April 2013	2,095	205	1,418	608	452	32	4,135	8,945
Provided for the year	—	—	43	97	147	—	169	456
Written off on disposal	—	—	—	—	(264)	—	—	(264)
As at 31 March 2014 and 1 April 2014	2,095	205	1,461	705	335	32	4,304	9,137
Provided for the year	—	—	32	56	239	—	182	509
Written off on disposal	—	—	—	—	—	—	(4)	(4)
Exchange realignment	—	—	1	—	—	—	3	4
As at 31 March 2015	**2,095**	**205**	**1,494**	**761**	**574**	**32**	**4,485**	**9,646**
Net book values								
As at 31 March 2015	**—**	**—**	**86**	**93**	**678**	**—**	**195**	**1,052**
As at 31 March 2014	—	—	74	91	916	—	363	1,444

Note: The net book values of the Group's property, plant and equipment which was held under finance lease as at 31 March 2015 and 2014 were approximately HK$373,000 and HK$538,000 respectively (Note 27).

18. INVENTORIES

The Group

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Raw materials	**9,916**	8,936
Work-in-progress	**9,479**	9,278
Finished goods	**586**	284
	19,981	18,498

19. TRADE RECEIVABLES

The Group

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Trade receivables	**9,332**	8,961

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts:

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
0 to 30 days	**6,983**	7,641
31 to 60 days	**816**	715
61 to 90 days	**1,278**	5
91 to 180 days	**101**	419
Over 180 days	**154**	181
Total	**9,332**	8,961

The average credit period on sales of goods ranging from 0 to 90 days. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Aging of trade receivables that are past due but not impaired.

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Overdue by:		
0 to 30 days	**1,035**	456
31 to 60 days	**645**	95
61 to 90 days	**577**	419
91 to 180 days	**5**	—
Over 180 days	**154**	180
Total	**2,416**	1,150

19. TRADE RECEIVABLES (CONTINUED)

The Group (continued)

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

20. AMOUNT DUE FROM A RELATED COMPANY

The Group

Name of company	**Maximum outstanding balance during the year HK$'000**	**As at 31 March 2015 HK$'000**	Maximum outstanding balance during the year HK$'000	As at 31 March 2014 HK$'000
Progress International Holdings Limited (Note)	**64**	**64**	113	36

Note: Mr. Lo Yan Yee and Madam Cheng are the directors of the Company who also have controlling interest in the above company.

The amount due from a related company is unsecured, interest free and recoverable on demand.

The amount represents rental deposits paid to Progress International Holdings Limited.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Company		**The Group**	
	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000	**As at 31 March 2015 HK$'000**	As at 31 March 2014 HK$'000
Deposits paid and prepayments to suppliers (Note (a))	**—**	—	**1,887**	474
Deposits paid and prepayments (Note (b))	**68**	75	**5,864**	768
Other receivables	**—**	5,854	**1**	5,858
	68	5,929	**7,752**	7,100

Notes:

(a) The amount was mainly related to guarantees paid to against other raw materials suppliers to secures a stable supply raw material or requested by such suppliers.

(b) As at 31 March 2015, the amount of approximately HK$5,100,000 was prepayment for consultant service.

22. CASH AND BANK BALANCE

Cash and cash equivalents compose:

	The Company		**The Group**	
	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000	**As at 31 March 2015 HK$'000**	As at 31 March 2014 HK$'000
Cash and bank balances	**2**	19,771	**1,589**	20,840
Pledged time deposits	**10,041**	—	**10,041**	—
Less: Pledged for bank overdrafts	**(704)**	—	**(704)**	—
	9,339	19,771	**10,926**	20,840

As at 31 March 2015 and 31 March 2014, cash and bank equivalents comprise of the followings:

	The Company		**The Group**	
	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000	**As at 31 March 2015 HK$'000**	As at 31 March 2014 HK$'000
HKD	**2**	19,771	**32**	20,095
USD	**—**	—	**937**	310
RMB	**—**	—	**559**	374
Other	**—**	—	**61**	61
	2	19,771	**1,589**	20,840

In the cash and bank balances at the year ended 31 March 2015 and 2014 mainly include amounts of approximately RMB452,407 and RMB109,000 (equivalent to approximately HK$559,000 and HK$137,000 respectively) which were not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged time deposits:

As at 31 March 2015, a time deposits are made for varying periods of between one day and three months depending cash requirements of the Group and carrying fixed interest rate of 0.8% (2013: Nil) per annum of approximately HK$10,041,000 (2014: HK$Nil) were pledged as collateral for bank overdrafts of the Company.

Bank overdrafts:

The Group's overdrafts facilities accounting to HK$10,000,000 (2014: Nil), of which HK$704,000 (2014: Nil) has been utilized as at the end of the reporting period, are secured by the pledged of certain of the Group's time deposits amounting to HK$10,041,000 (2014: Nil).

23. TRADE PAYABLES

The Group

Details of the ageing analysis are as follows:

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Within 30 days	**4,689**	1,446
31 to 60 days	**474**	85
61 to 90 days	**30**	46
91 to 180 days	**69**	26
Over 180 days	**25**	13
Total	**5,287**	1,616

The average credit period on purchase of certain goods is generally within 30 days to 90 days.

24. ACCRUALS AND OTHER PAYABLES

	The Company		**The Group**	
	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000	**As at 31 March 2015 HK$'000**	As at 31 March 2014 HK$'000
Accruals and other payables	**—**	—	**1,538**	1,957

25. INVESTMENTS IN SUBSIDIARIES AND AMOUNT(S) DUE FROM/(TO) A SUBSIDIARY/IES

The Company

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Unlisted shares, at cost	**99**	99
Amount due from a subsidiary	**16,000**	16,000
Amounts due to subsidiaries	**(1,368)**	(15,581)
	14,731	518

The amount due from a subsidiary is unsecured, interest free and recoverable on demand.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

25. INVESTMENTS IN SUBSIDIARIES AND AMOUNT(S) DUE FROM/(TO) A SUBSIDIARY/IES (CONTINUED)

The Company (continued)

Details of the Company's subsidiaries as at 31 March 2015 are set out as below:

Name of subsidiaries	Place and date of incorporation	Paid-up capital or registered capital	Percentage of equity and voting power attributable to the Company		Principal activities
			Direct	Indirect	
Gold Treasure	BVI, 6 December 2010	US$10,000	100%	—	Investment holding
Echo Electronics	Hong Kong, 24 December 2003	HK$10,000	—	100%	Trading of electronic products and accessories
Yi Gao Tech	The PRC, 26 May 2011	HK$4,000,000	—	100%	Manufacture of electronic products and accessories
Echo International Development Limited	Hong Kong 2 April 2014	HK$10,000	—	100%	Dormant

26. BANK BORROWINGS

The Group

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Bank borrowings — secured, due within one year	**49**	1,920

An analysis of the carrying amounts of the total borrowings by the type and currency is as follows:

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
At floating interest rate	**49**	1,920

The contractual interest rates per annum in respect of bank borrowings were as follows:

	As at 31 March 2015	As at 31 March 2014
Bank borrowings	**2.95%**	2.95%

The fair values of the short-term borrowings approximate their carrying amounts.

26. BANK BORROWINGS (CONTINUED)

Bank borrowing is denominated in Hong Kong dollars with total principal amounts approximately HK$49,000 (2014: HK$1,920,000) bearing floating interest rate at 2.95%p.a. below Hong Kong Dollar Best Lending Rate as determined by bank from time to time, subject to amendments at any time at the bank discretion and the carrying amount are approximately to their fair values.

The borrowing is secured by corporate guarantees to the extent of approximately HK$7,310,000 given by the Group as at 31 March 2015 and 2014.

27. OBLIGATION UNDER FINANCE LEASES

The Group

The Group leased certain of its plant and machinery under finance lease. Interest rates underlying all obligations under finance leases are fixed at respective contract rates at 1.85% (2014:1.85%) per annum for the years ended 31 March 2015 and 2014 respectively.

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Minimum lease payments under finance leases		
— within one year	**128**	136
— in more than one year and not more than five years	**373**	492
	501	628
Less: future finance charges	**(43)**	(52)
Present value of finance lease	**458**	576

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Present value of minimum lease payments under finance leases		
— within one year	**117**	117
— in more than one year and not more than five years	**341**	459
	458	576
Less: amount due within one year shown under current liabilities	**(117)**	(117)
	341	459

The Group's obligations under finance leases are secured by the lessor's title to the leased assets, which have a carrying amount of HK$373,000 and HK$538,000 as at 31 March 2015 and 2014 respectively (Note 17).

28. SHARE CAPITAL

The Group and the Company

	2015		2014	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**1,000,000**	**10,000**	1,000,000	10,000
Issued and fully paid:				
At beginning of year	**200,000**	**2,000**	10,000	100
Issue of shares by capitalisation issue	—	—	130,000	1,300
Issue of shares by placing	—	—	60,000	600
At end of year	**200,000**	**2,000**	200,000	2,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally regard to the Company's residual assets.

29. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 27 September 2013.

As at the date of 30 September 2013, options to subscribe for 20,000,000 shares under the Pre-IPO Share Option Scheme have been granted to the Directors except for the independent non-executive Directors.

The Company has also conditionally adopted the Share Option Scheme. No option has been granted under the Share Option Scheme. The Share Option Scheme will be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

The eligible persons of the Share Option Scheme include directors, consultants or advisers and any other person has contributed to the Group (the "Eligible Persons").

The subscription price of the share options shall be a price determined by the board of directors and shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

29. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME (CONTINUED)

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the board of directors, being a date not later than ten business days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme. The Company may grant options to specified participant(s) beyond the 10% limit provided that the options granted in excess of such limit are specifically approved by the shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. In seeking such approval, a circular must be sent to the shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an Eligible Person would result in excess of such limit shall be subject to the approval of the shareholders at general meeting with such Eligible Person and his associates abstaining from voting.

To quantify the effect of the options granted under the Pre-IPO Share Option Scheme, the Company has engaged an independent external valuer, Roma Appraisals Limited ("Roma") to compute the fair value of the granted options.

The fair value of the options granted under the Pre-IPO Share Options Scheme is determined using Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on the Directors' best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavior consideration. Expected volatility is based on the average historical volatilities of the comparable over the expected option periods of 6.5 years. Risk free rate is based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary assumptions.

The variables and assumptions used in computation of the fair value of Pre-IPO Share Options Scheme are based on the Directors' best estimate. The value of an option varies with different variables of certain objective assumption.

29. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME (CONTINUED)

Inputs into the valuation model

Grant date share price	HK$0.555
Exercise price	HK$0.600
Expected volatility	54.806%
Expected option period	6.542 years
Risk free rate	1.53%
Expected dividend yield	0.00%

Movements in the share options granted to the former directors, directors, employees of the Company and other eligible participants during the year were as follows:

	Date of grant	Exercise price HK$	Number of share options outstanding at 1 April 2013 '000	Granted during the year '000	Number of share options outstanding at 31 March 2014 '000	Reclassification of share options during the year '000	Number of share options outstanding at 31 March 2015 '000
Directors	27 September 2013	0.6	—	20,000	20,000	(5,600)	14,400
Employee	27 September 2013	—	—	—	—	5,600	5,600
		—	—	20,000	20,000	—	20,000

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
September 2013	11 October 2013– 10 October 2016	11 October 2016– 11 October 2023	HK$0.60

During the years ended 31 March 2015 (2014: 20,000,000 share option were granted), no share option was grant, exercised, expired or lapsed.

During the year ended 31 March 2015, share based payment of HK$1,930,000 (2014: HK$909,000) was recognised to the consolidated statement of profit or loss and other comprehensive income.

30. RESERVES

The Company

	Share premium HK$'000	Contribution reserve HK$'000	Share option reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
As at 1 April 2013	—	—	—	(3,619)	(3,619)
Total comprehensive loss for the year	—	—	—	(6,748)	(6,748)
Share based payment	—	—	909	—	909
Issue of shares by capitalisation issue	(1,300)	—	—	—	(1,300)
Special contribution by shareholder	—	4,836	—	—	4,836
Issue of share by placing (note (d))	30,140	—	—	—	30,140
As at 31 March 2014 and and 1 April 2014	28,840	4,836	909	(10,367)	24,218
Total comprehensive loss for the year	—	—	—	(4,010)	(4,010)
Share based payment	—	—	1,930	—	1,930
As at 31 March 2015	**28,840**	**4,836**	**2,839**	**(14,377)**	**22,138**

30. RESERVES (CONTINUED)

The Group

The movement of reserves of the Group during the year was shown in the consolidated statement of changes in equity on page 39.

(a) Contribution reserve

Pursuant to the deed of mutual set-off dated 27 September 2013 entered into between Madam Cheng (an executive director, the controlling shareholder and a founder of the Company) and the Company, Madam Cheng agreed to bear the expenses incurred by the Company in connection with the listing to the extent of HK$5.77 million by setting off against the debt of the Company owing to Madam Cheng. According to Conceptual Framework for Financial Reporting 2010 and Hong Kong Accounting Standards 1 (Revised) Presentation of Financial Statements, this represents a transaction between the Company and the controlling shareholder, and the amount will recognised in equity rather than consolidated statements of comprehensive income prior to the listing.

(b) Capital reserve

The capital reserve of the Group represents the capital contributions by Madam Cheng, a director and controlling shareholder of the Company, to the subsidiaries directly held by Madam Cheng before the Reorganisation. The additions during the year represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies by the owners of the subsidiaries, which were consolidated from the effective date of acquisition.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

(d) Issue of share by placing

The Company's shares were listed on the GEM Board of the Hong Kong Stock Exchange on 11 October 2013. 60,000,000 shares were issued at HK$0.60 per share. The Company received net proceeds of approximately HK$30,740,000 from issuance of shares, of which paid up share capital was HK$600,000 at HK$0.01 per share and share premium was approximately HK$30,140,000 (net of share issue cost).

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of bank overdrafts, bank borrowings, obligation under finance leases and equity attributable to owners of the Company (comprising issued share capital and reserves).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

31. CAPITAL RISK MANAGEMENT (CONTINUED)

The Group monitors capital on the basis of gearing ratio. This ratio is calculated by dividing the total borrowings with total equity. The Group's overall strategy remains unchanged during the year. The gearing ratio at 31 March 2015 and 2014 were as follows:

	2015	2014
	HK$'000	HK$'000
Total borrowings (Note 1)	**1,211**	2,496
Total equity	**39,926**	50,490
Gearing ratio (%)	**3.03%**	4.94%

Note:

1. Total borrowings include bank overdrafts (Note 22), bank borrowings (Note 26) and obligation under finance leases (Note 27).

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	2015	2014
	HK$'000	HK$'000
Financial assets		
Loan and receivables (including cash and bank balances)		
— Trade receivables	**9,332**	8,961
— Amount due from a related company	**64**	36
— Other receivables	**1**	5,854
— Pledged time deposits	**10,041**	—
— Cash and bank balances	**1,589**	20,840
Financial liabilities		
Amortised costs		
— Trade payables	**5,287**	1,616
— Bank overdrafts	**704**	—
— Bank borrowings	**49**	1,920
— Other payables	**86**	—
— Obligation under finance leases	**458**	576

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

The Company

	2015 HK$'000	2014 HK$'000
Financial assets		
Loan and receivables (including cash and bank balances)		
— Amount due from a subsidiary	**16,000**	16,000
— Other receivables	**—**	5,854
— Pledged time deposits	**10,041**	—
— Cash and bank balances	**2**	19,771
Financial liabilities		
Amortised costs		
— Amounts due to a subsidiaries	**1,368**	15,581
— Bank overdrafts	**704**	—

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's major financial instruments include trade receivables, pledged time deposits, trade payables, other receivables, other payables, amount due from a related company, cash and bank balances, bank overdrafts, bank borrowings and obligation under finance leases. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Company has set the policies in place to ensure that transactions are made to customers with an appropriate credit history. In addition, the Company reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

The credit risk on bank balances is limited because the counter parties are banks with high credit ratings. The Group has no significant concentration of credit risks, with exposure spread over a number of counter parties.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

Interest rate risk

The cash flow interest rate risk relates primarily to variable-rate borrowings. It is the Company's policy to keep its borrowings at fixed rates of interests so as minimise the fair value interest rate risk.

The Company has no significant interest-bearing assets except for bank borrowings and obligation under finance leases, details of which have been disclosed in Notes 26 and 27.

The Company has no significant interest rate risk during the year.

Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar ("HKD"), United Stated dollars ("USD") and Renminbi ("RMB"). HKD are pegged to the USD and the foreign exchange exposures between them are considered limited, therefore, the Group is mainly exposed to the effects of fluctuation in RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

No sensitivity analysis on foreign currency risk is performed since the Group's has no material foreign currency denominated monetary assets and liabilities at the end of the reporting period.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and maintains a conservative level of long-term funding to finance its short-term financial assets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group are entitled and intends to repay the liability before its maturity.

The Group

As at 31 March 2015

	Weighted average interest rate	**On demand or within one year HK$'000**	**More than one year but less than two years HK$'000**	**More than two years but less than five years HK$'000**	**Total undiscounted cash flow HK$'000**	**Total carrying amount HK$'000**
Non-derivative financial liabilities						
Trade payables	**—**	**5,287**	**—**	**—**	**5,287**	**5,287**
Other payables	**—**	**86**	**—**	**—**	**86**	**86**
Bank overdrafts	**0.75%**	**727**	**—**	**—**	**727**	**704**
Bank borrowings	**2.95%**	**55**	**—**	**—**	**55**	**49**
Obligation under finance leases	**1.85%**	**128**	**128**	**245**	**501**	**459**
		6,283	**128**	**245**	**6,656**	**6,585**

As at 31 March 2014

	Weighted average interest rate	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables	—	1,616	—	—	1,616	1,616
Bank borrowings	2.95%	1,947	—	—	1,947	1,920
Obligation under finance leases	1.85%	128	128	372	628	576
		3,691	128	372	4,191	4,112

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company

As at 31 March 2015

	Weighted average interest rate	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Amount due to a subsidiary	—	1,368	—	—	1,368	1,368
Bank overdrafts	0.75%	727	—	—	727	704
		2,095	—	—	2,095	2,072

As at 31 March 2014

	Weighted average interest rate	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Amounts due to subsidiaries	—	15,581	—	—	15,581	15,581

33. NON-CASH TRANSACTIONS

During the year ended 31 March 2015, the Group did not enter into non–cash investing activities.

During the year end 31 March 2014, the Group acquired HK$552,000 motor vehicle under finance lease. The gain on disposal of property, plant and machinery of approximately HK$39,000 is arrived at after offsetting the outstanding amount of the obligation under finance leases of approximately HK$451,000 and the carrying amount of disposed asset of approximately HK$358,000 and cash payment of approximately of HK$54,000.

34. MATERIAL RELATED PARTY TRANSACTIONS

The Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Significant related party transactions

Particulars of significant related party transactions during the year, the Group entered into the following transactions with related parties:

Nature of related party transactions	**2015** **HK$'000**	2014 HK$'000
Rental paid to Progress International Holdings Limited (Note 1)	**360**	240
Salary paid to Mr. Lo Ding Kwong (Note 2)	**585**	284

Note 1: In the opinion of the Directors, the above transaction is entered into the term agreed by the company with reference to the terms for the similar transactions in the market are carried out in the ordinary course of the Group's business. Mr. Lo Yan Yee and Madam Cheng are the directors of the Company who also have controlling interest in the above Company.

Note 2: Mr. Lo Ding Kwong is the son of Madam Cheng.

For the transactions constitutes continuing connected transactions under the GEM Listing Rules, please refer to "Connected Transactions and Continuing Connected Transactions" under "Report of Directors".

(b) Key management personnel remuneration

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 14 and 15 to the consolidated financial statements, is as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries and allowances (including directors' fee)	**3,361**	1,987
Retirement scheme contribution	**104**	83
Share based payment expenses	**1,930**	909
	5,395	2,979

35. OPERATING LEASE ARRANGEMENTS

The Group as leasee

The Group leases its office properties and factory under operating lease arrangements. Leases for the properties are negotiated for terms of two years.

At the end of reporting period, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**3,354**	2,475
In the second to fifth years inclusive	**3,843**	7,498
	7,197	9,973

36. CAPITAL COMMITMENT

The Group and the Company did not have any significant capital commitments as at 31 March 2015 and 2014.

37. CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities as at 31 March 2015 and 2014.

38. CORPORATE GUARANTEES

As at 31 March 2015 and 2014, the Company had given corporate guarantees to the extent of approximately HK$7,310,000 to bank to secure bank borrowings granted to subsidiary.

39. EVENT AFTER THE REPORTING PERIOD

The following significant events took place to 31 March 2015.

(a) Memorandum of understanding in respect of the possible acquisition

On 8 December 2014, the Company entered into a non-legally binding memorandum of understanding with Pacific Medical (Holding) Company Limited (the "Vendor"), pursuant to which the Company intended to acquire and the Vendor intended to dispose of the entire issued share capital of four companies.

At the date of this report, the completion has not yet been completed.

For further details, please refer to the Company's announcements dated 8 December 2014.

39. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(b) Placing Bonds

On 9 April 2015, the Company and Convoy Investment Services Limited ("placing agent") entered into a placing agreement pursuant to which the Company has conditionally appointed placing agent to procure, on a best effort basis, as placing agent of the Company, independent placees to subscribe for a Bonds with an aggregate principal amount of up to HK$200,000,000 during the placing period. The placees and (where appropriate) their respective ultimate beneficial owner(s) shall be independent third parties.

At the date of this report, the completion has not yet been completed.

For further details, please refer to the Company's announcements dated 9 April 2015.

(c) Purposed subdivision of shares

On 11 June 2015, the Company proposes that each of the issued and unissued shares of HK$0.01 each in the share capital of the Company be subdivided into four subdivided shares of HK$0.0025 each.

At the date of this report, the completion has not yet been completed.

For further details, please refer to the Company's announcements dated 11 June 2015.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 June 2015.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and the Prospectus, is set out below:

	Year ended 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**51,807**	51,328	71,707	60,990	82,498
(Loss)/profit before taxation	**(12,631)**	(8,150)	12,687	14,527	12,365
Income tax expense	**—**	(571)	(3,337)	(2,243)	(1,140)
(Loss)/profit for the year	**(12,631)**	(8,721)	9,350	12,284	11,225
Attributable to:					
Owners of the Company	**(12,631)**	(8,721)	9,350	12,284	11,225

	As at 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**49,811**	56,879	39,818	37,835	36,086
Total liabilities	**(9,885)**	(6,389)	(17,384)	(15,928)	(19,608)
	39,926	50,490	22,434	21,907	16,478
Attributable to:					
Owners of the Company	**39,926**	50,490	22,434	21,907	16,478