

TAI SHING

Tai Shing International (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8103

**ANNUAL
REPORT**

2015



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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Chew Chee Wah (*appointed on 22 May 2014 and appointed as chairman on 29 July 2014*)
Mr. Tam Kwok Leung (*appointed on 22 May 2014 and appointed as chief executive officer on 5 August 2014*)
Mr. Liu Bo (*resigned on 29 July 2014*)
Mr. Han Fangfa (*resigned on 26 August 2014*)
Mr. Zhang Jinshu
Ms. Ju Lijun
Ms. Huang Miaochan (*resigned on 30 December 2014*)
Mr. Luk Chi Shing (*appointed on 3 April 2014*)
Ms. Zhang He (*appointed on 15 August 2014*)
Mr. Lee Yiu Tung (*appointed on 18 August 2014*)

Non-executive Directors

Dr. Pan Jin
Mr. Dai Yuanxin
Ms. Xiao Yongzhen

Independent non-executive Directors

Mr. Chan Yee Sze
Mr. Xu Jingbin (*resigned on 2 January 2015*)
Ms. Hu Yun
Mr. Tan Heming (*resigned on 18 August 2014*)
Ms. Yuen Wai Man (*appointed on 3 April 2014 and resigned on 30 December 2014*)
Mr. Koh Kwing Chang (*appointed on 22 May 2014*)
Mr. Lui Wai Ming (*appointed on 22 May 2014*)
Mr. Lai Chi Leung (*appointed on 24 November 2014*)

COMPANY SECRETARY

Ms. Tsang Kai Yi, ACCA, CPA (*ceased on 27 August 2014*)
Mr. Chiam Tat Yiu, HKICPA, CPA
(*appointed on 27 August 2014*)

COMPLIANCE OFFICER

Dr. Chew Chee Wah (*appointed on 5 August 2014*)
Mr. Liu Bo (*resigned on 29 July 2014*)

AUTHORISED REPRESENTATIVES

Mr. Chiam Tat Yiu (*appointed on 27 August 2014*)
Mr. Tam Kwok Leung (*appointed on 17 June 2014*)
Mr. Liu Bo (*resigned on 29 July 2014*)
Ms. Huang Miaochan (*resigned on 17 June 2014*)

AUDIT COMMITTEE

Mr. Chan Yee Sze (*Chairman*)
Mr. Xu Jingbin (*resigned on 2 January 2015*)
Ms. Hu Yun
Ms. Yuen Wai Man (*appointed as a member of the committee on 5 May 2014 and resigned on 30 December 2014*)
Mr. Koh Kwing Chang (*appointed as a member of the committee on 22 May 2014*)
Mr. Lui Wai Ming (*appointed as a member of the committee on 22 May 2014*)
Mr. Lai Chi Leung (*appointed as a member of the committee on 30 December 2014*)

REMUNERATION COMMITTEE

Mr. Chan Yee Sze (*Chairman*)
Mr. Xu Jingbin (*resigned on 2 January 2015*)
Ms. Hu Yun
Ms. Yuen Wai Man (*appointed as a member of the committee on 8 May 2014 and resigned on 30 December 2014*)
Mr. Koh Kwing Chang (*appointed as a member of the committee on 22 May 2014*)
Mr. Lui Wai Ming (*appointed as a member of the committee on 22 May 2014*)
Mr. Lai Chi Leung (*appointed as a member of the committee on 30 December 2014*)

NOMINATION COMMITTEE

Mr. Chan Yee Sze (*Chairman*)
Mr. Xu Jingbin (*resigned on 2 January 2015*)
Ms. Hu Yun
Ms. Yuen Wai Man (*appointed as a member of the committee on 8 May 2014 and resigned on 30 December 2014*)
Mr. Koh Kwing Chang (*appointed as a member of the committee on 22 May 2014*)
Mr. Lui Wai Ming (*appointed as a member of the committee on 22 May 2014*)
Mr. Lai Chi Leung (*appointed as a member of the committee on 30 December 2014*)

CORPORATE INFORMATION

AUDITORS

Elite Partners CPA Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room M2B2, 7/F.,
Kaiser Estate, Phase 3,
No. 11 Hok Yuen Street,
Hung Hom, Kowloon,
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4 Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

08103

WEBSITE

www.equitynet.com.hk/8103/

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the year ended 31 March 2015, the Group recorded a turnover of approximately HK\$73.2 million (2014: HK\$49.3 million), representing an increase of 48.5% as compared with that of the year ended 31 March 2014.

Other income and gains decreased by HK\$21 million as the change in fair value of the derivative financial instruments of convertible bonds during the year ended 31 March 2015 was minimal as the trading in the shares of the Company has been suspended since 3 July 2013, i.e. HK\$7,000 (2014: HK\$17,056,000). Since proprietary trading is also one of the principal businesses, the Company acquired listed shares during the year and recorded an unrealized gain on change in fair value at HK\$1.5 million (2014: Nil).

During the year ended 31 March 2015, for the purpose of better utilization of internal resources, the Group has continuously reduced its administrative expenses by HK\$7.4 million without affecting its performance and competitive edge. Other losses and expenses decreased significantly by approximately HK\$210 million as there is no impairment losses on intangible assets, available-for-sale investments and deposit paid for acquisition of subsidiaries during the year, which in sum amounted to HK\$149 million in the year ended 31 March 2014. Due to the tightening credit terms and improving collection of receivables held by the Group, impairment losses on trade and other receivables decreased to HK\$2.4 million (2014: HK\$50 million).

As a result, the Group recorded a loss attributable to owners of the Company amounted to approximately HK\$0.5 million for the year under review (2014: HK\$207 million).

BUSINESS PERFORMANCE

The Group was principally engaged in system development, professional services, money lending business and proprietary trading business during the year ended 31 March 2015. Subsequent to the acquisition of the printing business on 28 April 2015, the Group is currently engaged in system development, professional services, money lending business, proprietary trading business and printing services.

During the year ended 31 March 2015, the Group recorded a turnover of approximately HK\$73.2 million (2014: HK\$49.3 million), in which approximately HK\$41.4 million (2014: HK\$39.1 million) and HK\$22.3 (2014: HK\$ 10.2 million) were contributed by system development services and professional services segments respectively. Approximately HK\$9.5 million of turnover was contributed by the sale of goods purchased in the past in which the net realizable value has been recorded in the last year.

System development and professional services

The Company's system development business mainly provides installation, maintenance, consulting and software licensing services for the products sold to power plants. The Company currently provides four key products: i) thermal power simulation system, ii) supervisory information system, iii) management information system and iv) information integration platform.

- i) Thermal power simulation system is a professional calculation system that can accommodate large scale strong coupling and tiny grained calculations. The system is able to link a series of calculated power plant simulation data to the distribution control system for the purposes of analysis and studies.
- ii) Supervisory information system is widely installed in power plant of more than 300MW. Its massive data contains valuable information and resources which requires further excavation.
- iii) Management information system in power plants provides all aspects of monitoring, control and management in the operation. The system collects all kinds of information, summary, statistics, analysis, management structures and business processes in order to increase productivity, reduce operating costs and provides decision support.
- iv) Information integration platform provides all the foundational building blocks of trusted information, including data integration, data warehousing, master data management, big data and information monitoring.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's professional services business mainly provides information technology engineering and technical support services to power plants and data centers. The Company currently provides four key services: i) enterprise information planning, ii) data resource planning, iii) comprehensive solution for system integration and iv) training service.

- i) Enterprise information planning provides information technology strategy, overall technical architecture, IT infrastructure, information security, application support platform and information technology personnel development services to the customers in the form of status assessment, development planning, project implementation and investment planning.
- ii) Data resource planning provides solution to customers for the integration of information from decentralized information systems.
- iii) Comprehensive solution for system integration provides strategy and planning services for wiring, data center construction, host systems and related technical support.
- iv) Training service provides training to power plant operation personnel, power unit commissioner, plant production management and technical personnel. Training topics include control and protection of simulation unit boiler, turbine and electrical parts; unit start-up and shutdown; basic working principle of and theoretical knowledge of fluidized bed boiler, pulverized coal boiler, gas turbine and electrical machines.

The Company's system development contracts signed with customers were executed and completed by five major phases with duration from 12 to 36 months.

- i) Contract signing: Before tender is made to customers, the Company will perform budget analysis for costs and time expected to incur. Estimation is based on complexity and specific requirements of the projects, historical data and information, market conditions, quotation of the supplies of goods and services. A contract will be rewarded after the tender process.
- ii) Installation: The supplier will deliver the hardware system to the customer sites directly. The Company will then install the system to its required status and location. The customer will inspect the physical conditions of the hardware.
- iii) Testing: The Company will perform initial testing and modification of the system at this phase. Testing includes the condition, stability, compatibility, functionality of the system itself and the integration of the system with other decentralized systems used by the customer.
- iv) Verification: The customer will perform test run at this phase. Test run coordinate the machines, processes and systems together and through a series of actions under actual or simulated environmental and operating conditions to ascertain its current status and to verify its reliability and functionality.
- v) Retention: An average of 12-24 months retention period is given to customer.

Depending on the complexity of the projects and the resources of the Company, the Company outsources some of the system development projects to selected suppliers. The suppliers' contracts are usually entered after secure of sales contracts with customers. In order to maintain a reasonable level of profit, the Company usually led the project by providing its project managers and key technicians whilst the suppliers provide the required systems and/or supporting technicians and engineers.

The Company receives contract value in five phases by means of progress billings. A portion of contract value is received in each of the following phases, (i) contract signing, (ii) installation, (iii) testing, (iv) verification and (v) retention.

The Company's professional services contracts signed with customers were completed with duration from 6 to 24 months. The Company's professional service income is received when the underlying professional services are rendered where billing is made when each particular service in the contract is delivered.

MANAGEMENT DISCUSSION AND ANALYSIS

Increase in turnover was mainly contributed by the HK\$12 million from the professional services segment. The turnover increased as a number of sizable projects initiated and substantially completed for the year under review. These sizable projects were mainly to provide electricity distribution consultant services to data center operator which generally requires high technology systems and stable electricity supply. Profit margin in the professional services segment is normally higher as it requires higher technology expertise in providing consultancy services. As a result, the gross profit improved to HK\$5.5 million for the year ended 31 March 2015.

System development business generated stable revenue during the year under review. Power plants are the major customers of the system development business who purchase electricity distribution systems from the Group. The Group was facing the fierce competition in the industry which limits its profit margin in most contracts signed during the year and would expect this situation will continue in the forthcoming years. The lack of core technology and serious degree of product homogeneity lead to price competition in the market. For the year under review, the market experienced slower growth in demand for electricity, resulting in the reduction of power equipment utilization. Also, there was a substantial decline in investment on power generation plants as a result of the change in government policies such as the promotion of renewable energy and the planned decrease in carbon dioxide emission. This combination of factors led to the decrease of demand in electricity distribution systems.

Despite the fierce competition the company faces and the decrease in demand in electricity distribution systems, the Company was able to maintain stable revenue thanks to the Company's competitive strength. The Company has been focused on the electricity distribution industry since its establishment. The Company has become one of the leading brands of electricity distribution services provider after years of marketing and brand management. The Company adheres to the customer focused philosophy and continues to provide value-added services and create long-term value for customers. The Company maintains long term strategic partnerships with key customers and actively carries out research and development projects with key customers so as to enhance customer loyalty.

In order to maintain its market share and position, the Company will continue to strengthen the relationship with existing customers and explore new business opportunities with reasonable margin through implementing stringent cost control and closer project monitoring. System development business is expected to continue to provide a stable source of revenue to the Group, whereas in the age of "big data", sales of professional services to data centers are expected to continue to grow in the coming years.

Proprietary trading business

The Group has commenced its proprietary trading business in January 2015. Since then, the Group has gained a change in fair value of financial instruments through profit and loss of approximately HK\$1.5 million for the year. Favored by the governmental policies such as access to Chinese domestic markets and savings being liberalized through breakthroughs as the "Shanghai-Hong Kong Stock Connect" and the high chance of implementation of "Shenzhen-Hong Kong Stock Connect" in the end of year 2015, low interest rate environment and the strong performance of US currency as a result of strong inflow of foreign currency towards Hong Kong stock market, the Hang Seng Index also touched the highest point and recorded the historical highest turnover during the period compared with those of the last three years. In view of the above, the Board believes that proprietary trading will become one of the driver of its future profits of the Group and the Board will invest more resources into the business once trading of the shares of the Company has resumed and financing resources have been obtained. Saved for the above, the Company maintains a risk management policy in which key risk factors such as government and politic risks, country risk, price risk, interest rate risk, currency risk and economic risk have been identified and closely monitored.

Money lending business

The Group has obtained its money lending license in February 2015. Though the loan and credit market became very active and intense competition existed during the past few years as a result of the rapid booming housing market in Hong Kong and the global low interest rate environment, the Board is confident that through its long established relationship, history, reputation, network and synergy, the Group is able to participate in the market share of the money lending business and it will become one of the driver of its future profits of the Group. In view of the above, the Board will invest more resources into the business once trading of the shares of the Company has resumed and financing resources have been obtained. In addition to the consumable loan, the Company is planning to offer a variety of loan products to secured mortgage loans to individual, unsecured loan, small and medium sized enterprises loans, debts consolidation loan and corporate loans. Despite the above, the money lending business is suffering from political risk, regulatory risk, credit risk, economic risk and industry risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Printing business

The Group completed the acquisition of 100% equity interest of a company (including the director's loan) participating in the printing business from an independent third party in April 2015, and has paid the consideration of approximately HK\$1.5 million for the acquisition (subject to the consideration adjustment mechanism described in the announcement of the Company dated 28 April 2015). The subsidiary is principally engaged in the provision of printing services and solutions on advertisement, brochures and bound books to customers mainly in Hong Kong. It is the Group's strategy to broaden its perspective beyond IT sector and potentially also invest into and/or make acquisition in other industries (including traditional non IT business) so long as such investments can bring value and are beneficial to the Group and its shareholder as a whole. Printing services has become one of the principal businesses of the Group since acquisition. The Board is of the view that (i) the demand for printing services for advertisement in Hong Kong has been gradually rising; (ii) the printing companies with retail channels (refers to printing companies which have internet retailing, including email in order to receive and deliver orders) represent a small but a fast growing segment in the printing industry in Hong Kong; (iii) with the ownership and leadership of the listed company and the networking ability though synergy with the Group, the subsidiary could have more resources and expertise to explore a higher margin overseas market (the subsidiary is currently exploring business opportunities in Australia and New Zealand) and (iv) the subsidiary would contribute the growth of the business performance of the Group and hence improve the return to the Group and its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2015, the equity attributable to owners of the Group amounted to a deficit of approximately HK\$47 million (2014: deficit of HK\$46.5 million). Current assets amounted to approximately HK\$130.3 million (2014: HK\$70.3 million), of which approximately HK\$6.9 million (2014: HK\$6.4 million) were cash and cash equivalents. Current liabilities were approximately HK\$190.6 million (2013: HK\$163.8 million) including trade and other payables, amounts due to customers for contract work, promissory note, bank borrowings and amount due to noteholder. Bank borrowing was approximately HK\$18.9 million (2014: HK\$17.7 million).

During the year ended 31 March 2015, the Company has not made any issue of equity securities.

Subsequent to the year under review until the date of this report, the Company has made the following issue for cash of equity securities:

- (i) On 1 April 2015, the holders of warrants exercised its rights to exercise 57,380,000 shares at HK\$0.19 per share. As a result, the Company received a net proceed of HK\$10.9 million and the issued share capital of the Company was increased to 1,140,603,857 shares.
- (ii) On 17 June 2015, the Company has signed an underwriting agreement with Freeman Securities Limited ("Freeman") to conduct an open offer (the "Open Offer"). Under the Open Offer which is underwritten by Freeman, new shares ("Offer Shares") are to be offered to the Company's existing shareholders on the basis of 1 new share for every two shares held. The minimum number of Open Offer shares will be 570,301,928 whereas the maximum number of Open Offer shares (allowing for potential issue of shares under general mandate and employee share option scheme and conversion of outstanding convertible bonds) will be 818,499,792 Open Offer shares. The Open Offer subscription price is HK\$0.05 per Open Offer share. Gross proceeds of approximately HK\$28.5 million to HK\$40.9 million and net proceeds of HK\$27.5 million to HK\$39.5 million will be raised. It is expected that the Open Offer will be completed in September 2015. In addition to the above, the Company will continually to seek for other sources of financing including but not limited to obtaining banking facilities, placing of new shares, issuing long term debts etc.

The Company now proposes to raise the open offer price by HK\$0.02 to HK\$0.07 per offer share. The Company will raise additional minimum net proceeds of approximately HK\$11 million. The underwriter has verbally agreed to this open offer price increase. The Company expects to sign a supplemental underwriting agreement to reflect the open offer price increase before resumption of trading.

GEARING RATIO

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund. Since the Company recorded a deficit in shareholders' fund in both 31 March 2014 and 2015, the gearing ratio was not applicable in both years.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

During the year ended 31 March 2015, the Group experienced only immaterial exchange rate fluctuations, as the Group's operations were mainly denominated in Hong Kong dollars and Renminbi. As the risk on exchange rate difference considered being minimal, the Group did not employ any financial instruments for hedging purposes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES DURING THE PERIOD UNDER REVIEW

The Company has not completed any material acquisitions or disposal during the year ended 31 March 2015.

- (i) On 28 November 2014, a settlement agreement between the Company and Gold Tycoon Limited was executed. Pursuant to the settlement agreement, Gold Tycoon Limited will repay the earnest money of HK\$25 million (the "**Settlement Amount**") to the Company with the following payment schedule: (i) HK\$3 million shall be paid to the Company on or before 30 April 2015, being the first installment of the Settlement Amount; (ii) HK\$3 million shall be paid to the Company on or before 31 July 2015, being the second installment of the Settlement Amount; (iii) HK\$3 million shall be paid to the Company on or before 31 October 2015, being the third installment of the Settlement Amount; (iv) HK\$4 million shall be paid to the Company on or before 31 January 2016, being the fourth installment of the Settlement Amount; (v) HK\$4 million shall be paid to the Company on or before 30 April 2016, being the fifth installment of the Settlement Amount; (vi) HK\$4 million shall be paid to the Company on or before 31 July 2016, being the sixth installment of the Settlement Amount; and (vii) HK\$4 million shall be paid to the Company on or before 31 October 2016, being the final installment of the Settlement Amount.

Details of the above possible acquisition were disclosed in the announcements of the Company dated 20 April 2011, 17 May 2011, 7 October 2011, 30 December 2011, 29 June 2012, 28 September 2012, 29 November 2012, 30 January 2013, 27 March 2013, 30 May 2013, 31 July 2013, 30 September 2013, 29 November 2013 and 30 January 2014.

In view of the fact that a settlement agreement was being executed on 28 November 2014 and the Company has assessed the financial capability of the vendor by examining the documents and information provided by the vendor and understood that the vendor is the major beneficial owner of the target gold mine. The Directors are of the view that the vendor would be able to repay the earnest money. The overall strategy of the Company is to take all reasonable and economical steps to recover the earnest money (including possible legal actions should the vendor fail to honor its obligations to return the earnest money). The Company will keep shareholders informed promptly on the progress in recovering the earnest money. As at the date of this report, both the first and second installments have been received by the Company and there is no overdue balance according to the settlement agreement.

- (ii) On 16 February 2015, the Company entered into a deed of settlement with the purchaser of 上海景福保險經紀有限公司, under which the outstanding disposal receivable is revised from RMB15,000,000 to HK\$17,700,000 which is payable by the purchaser by seven instalments, being HK\$1,000,000, HK\$500,000, HK\$500,000, HK\$1,000,000, HK\$4,700,000, HK\$5,000,000 and HK\$5,000,000, on which fall due on 18 February 2015, 27 February 2015, 30 April 2015, 30 June 2015, 30 September 2015, 31 December 2015 and 31 March 2016 respectively. As at the date of this report, the Company has received HK\$3,000,000 and there is no overdue balance according to the deed of settlement.
- (iii) On 28 April 2015, the Group has entered into an agreement with an independent third party for the acquisition of 100% of the issued share capital of Wilco Printing Co., Limited ("Wilco") and the director's loan to Wilco at a consideration of HK\$1,537,029. Please refer to the announcement of the Company dated 28 April 2015 for further details of the acquisition. Wilco is principally engaged in the provision of printing services and solutions on advertisement, brochures and bound books to customers mainly in Hong Kong. After the acquisition, printing services become one of the principal businesses of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to look for opportunities to create shareholders' value through making investments into and/or acquiring interests in companies or projects that have promising outlooks and prospects. The Group is broadening its perspective beyond the IT sector and potentially also invest into and/or make acquisitions in other industries (including renewable energy and other "green" businesses, the financial industry, and more traditional non-IT businesses) so long as such investments/acquisitions can bring value and are beneficial to the Company and its shareholders as a whole. In addition, it was stated previously that the Group intended to enter into the financial and financial services sector. As at the date of this report, the Group has already commenced its proprietary trading business. The Group also successfully obtained its money lending business recently. Trading in securities, printing services and money lending have now also become the principal businesses of the Group. The Board is of the view that potential new investments and acquisitions together with the existing businesses will bring further value to the shareholders as a whole in the coming future.

SEGMENT INFORMATION

During the period under review, the Group is principally engaged in three operating segments. The Group presents its segmental information based on the nature of the products and services provided and has reportable segments as follows:

- systems development;
- professional services; and
- proprietary trading

Turnover generated from the PRC represented over 90% of the total turnover of the Group for the year ended 31 March 2015 and 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2015, the Group had 18 and 5 (2014: 17 and 7) employees in Hong Kong and the PRC respectively, which included the Directors. Total staff costs including Directors' remuneration for the year under review amounted to approximately HK\$3.2 million (2014: HK\$4 million).

Employees' remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties and the current market trend. Apart from the basic salary, discretionary bonus and other incentives may be offered to the employees of the Group to reward their performance and contributions. The emoluments of the Directors are determined by the remuneration committee of the Company having regard to the performance of the individuals and market trend.

The Group has not made any changes to its remuneration policy and no bonuses were granted to any of its executive Directors or employees during the year under review.

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 22 October 2003, the Company approved and adopted a share option scheme (the "**2003 Scheme**"). The 2003 Scheme was expired on 21 October 2013. All the options under the 2003 Scheme were lapsed as at the date of this report.

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 12 November 2014, the Company approved and adopted a share option scheme (the "**Scheme**"). During the year under review, no option was granted under the Scheme.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There have been no charge on the Group's assets as at 31 March 2015. Details of the Group's contingent liabilities are set out in Note 45 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT RESPONSE TO AUDIT OPINION

Opening balances and corresponding figures

The audit qualification for the Company's consolidated financial statements for the year ended 31 March 2015 (the "2015 financial statements") regarding comparative figures is resulted from the disclaimer of opinion in respect of the Company's consolidated financial statements for the year ended 31 March 2014 (the "2014 financial statements") issued by the predecessor auditor. The qualification will not have any carry forward effect on the Group's future audits of its consolidated financial statements.

Going concern basis of accounting

According to the consolidated financial statement for the year ended 31 March 2015 of the Company, the financial position of the Company has improved dramatically contributed by i) increase in revenue and gross profit and ii) significant improvement in its liquidity position. In April 2015, the warrant holders exercised their rights to subscribe for the shares of the Company and the Company received net proceeds of HK\$10.9 million as a result. In May 2015, the Company recovered an accounts receivable amounted to approximately HK\$18.75 million which has fully impaired in the past. In prudent and conservative bases, the Company has obtained a facility of HK\$50 million for 24 months whereas no drawdown has been made as at the date of this report. In May 2015, the Company has already repaid all its bank borrowing and also extended the repayment date of the promissory note with principal amount of HK\$30 million to 30 September 2016, approximately HK\$48 million of the current liabilities as at 31 March 2015 have been released. Taking all the factors above, the Board is of the view that the Company is able to meet its financial obligations for at least the coming twelve months.

In respect of the net liabilities, the warrant exercised and the approximately HK\$18.75 million accounts receivable recovered subsequent to 31 March 2015 which was fully impaired in the past already serve to reduce net liabilities by approximately HK\$29.7 million. Taking this as well as the proceeds from the open offer (see below) into account, the Board is of the view that the net liabilities issue will be resolved swiftly, and that the Company will be able to meet its financial obligations even beyond the next 12 months. Furthermore, on top of the items mentioned above that will alleviate the net liabilities issue, upon resumption of trading of the shares of the Company and subject to market conditions and securing a placing agent on satisfactory terms, the Company also intends to potentially exercise its general mandate. Going forward, the Company could also engage in other equity fund raising activities to build an even stronger financial profile. Whilst the Company is always keen to explore fund-raising opportunities to improve its capital structure and to expand and develop its businesses, there is presently no agreement, arrangement nor negotiations regarding any equity fund-raising activity other than the open offer described below.

In order to further strengthen the capital structure of the Company, the Company has signed an underwriting agreement with Freeman Securities Limited on 17 June 2015 to conduct an open offer (the "Open Offer"). The Open Offer will be an offer of new shares to the Company's existing shareholders on the basis of 1 Open Offer share for every two shares held. The minimum number of Open Offer will be 570,301,928 whereas the maximum number of Open Offer shares (allowing for potential issue of shares under general mandate and employee share option scheme and conversion of outstanding convertible bonds) will be 818,499,792 Open Offer shares. The Open Offer subscription price will be HK\$0.05 per Open Offer share. Gross proceeds of approximately HK\$28.5 million to HK\$40.9 million and net proceeds of HK\$27.5 million to HK\$39.5 million will be raised. It is expected that the Open Offer will be completed within the month of September 2015. The financial position of the Company will be further strengthened with this Open Offer.

The Company now proposes to raise the open offer price by HK\$0.02 to HK\$0.07 per offer share. The Company will raise additional minimum net proceeds of approximately HK\$11 million. The underwriter has verbally agreed to this open offer price increase. The Company expects to sign a supplemental underwriting agreement to reflect the open offer price increase before resumption of trading.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The biographical details in respect of the Directors and the senior management of the Company as at the date of this report are as follows:

EXECUTIVE DIRECTORS

Dr. Chew Chee Wah, aged 51, holds a Doctor of Philosophy in Business Administration from Nueva Ecija University of Science and Technology in Republic of the Philippines. Dr. Chew is a fellow member of the Australia Association of Taxation and Management Accountants. Dr. Chew has extensive working experience in business management consultancy for over 20 years. Dr. Chew was appointed as an executive Director on 22 May 2014 and was re-designated as chairman of the Company on 29 July 2014. Dr. Chew was the chairman and non-executive Director of Golden Shield Holdings (Industrial) Limited (stock code: 2123), from 19 November 2014 to 11 May 2015. During the period he focused on overseeing the restructuring work and the legal proceedings, and the company is currently under liquidation.

Mr. Tam Kwok Leung, aged 47, holds a Master Degree in Business Administration from Heriot-Watt University in the United Kingdom. Mr. Tam has extensive working experience in business management, business planning and development for over 20 years. Mr. Tam was appointed as an executive Director on 22 May 2014 and was re-designated as chief executive officer of the Company on 5 August 2014.

Ms. Ju Lijun, aged 52, obtained the People's Republic of China ("PRC") Certificate of Accounting Professional in 2002. Ms. Ju has been engaged and is experienced in the business of accounting. Ms. Ju was appointed as an executive Director on 31 October 2011.

Mr. Zhang Jinshu, aged 51, is experienced in trading, finance and investments. He is currently a director of a guarantee and investment company in Shenzhen, PRC. Mr. Zhang was appointed as an executive Director on 26 October 2012.

Mr. Luk Chi Shing, aged 46, holds a Bachelors Degree of Business Administration in Accountancy from City University of Hong Kong. Mr. Luk is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Luk has extensive working experience in financial management, auditing and public listed companies. Mr. Luk is currently the independent non-executive director of China Mobile Games and Cultural Investment Limited (stock code: 8081), Gamma Logistics Corporation (stock code: 8310) and TeleEye Holdings Limited (stock code: 8051) respectively, all of which are companies listed on the GEM. Mr. Luk was appointed as an executive Director on 3 April 2014.

Ms. Zhang He, aged 34, has extensive working experience in media and entertainment business, business management, business planning and development for about eight years and was an executive director of TLT Lottotainment Group Limited (stock code: 8022) until May 2014. Furthermore, Ms. Zhang has been a director of a wholly owned subsidiary of the Company since April 2011. Ms. Zhang was appointed as an executive Director on 15 August 2014.

Mr. Lee Yiu Tung, aged 51, holds a Bachelor of Arts in Architectural Studies with Honors, a Bachelor of Architecture and a Master of Science degree in Real Estate all from the University of Hong Kong. Mr. Lee is a member of Hong Kong Institute of Directors, Royal Institute of British Architects and Hong Kong Institute of Architects. Mr. Lee is a registered architect in Hong Kong with extensive working experiences in business management consultancy, property development, project management and development consultant services. Mr. Lee was appointed as an executive Director on 18 August 2014.

NON-EXECUTIVE DIRECTORS

Dr. Pan Jin, aged 54, holds a Doctor of Engineering degree from Tsinghua University. Dr. Pan has joined Tsinghua Tongfang Co., Ltd. since 1998, a company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange, Dr. Pan is currently the assistant president and the general manager of the Investment Development Department of Tsinghua Tongfang Co., Ltd. and a director of Tongfang Guoxin Electronics Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange. Furthermore, Dr. Pan is currently an executive director of Neo-Neon Holdings Limited (stock code: 1868), a company listed on the Main Board of the Stock Exchange. Dr. Pan was appointed as a non-executive Director on 22 October 2010.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Dai Yuanxin, aged 56, graduated from the distant-learning college of the Party School of the Central Committee of the Communist Party of China (中共中央黨校函授學院) in 1998, majoring in economic management. Before setting up his own business, Mr. Dai had been deputy manager of 鹽城市農業服務公司 (unofficial English translation being “Yancheng City Agriculture Service Company”). In 2007, he found Jiangsu Lisen Mucai Jiagong Co. Ltd (江蘇利森木材加工有限公司) and was elected as its chairman of the board and has served as this position since then. He is also the director of Bolken Industries Limited (寶恒實業有限公司). Mr. Dai was appointed as a non-executive Director on 25 July 2012.

Ms. Xiao Yongzhen, aged 47, is experienced in air travel and ticketing services in the PRC. She is currently the vice general manager of an air travel services company in the PRC. Ms. Xiao was appointed as a non-executive Director on 26 October 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yee Sze, aged 40, holds a Bachelor of Arts in Accountancy from Hong Kong Polytechnic University. Mr. Chan is a certified public accountant and the sole proprietor of Stephen YS Chan & Co., which is a firm of certified public accountants. He is a member of Hong Kong Institute of Certified Public Accountants. Mr. Chan is experienced in the field of auditing, accounting as well as financial management. Mr. Chan was appointed as an independent non-executive Director on 9 February 2013.

Ms. Hu Yun, aged 35, holds a degree of Bachelor of Business Studies from Massey University of New Zealand and has extensive management experience. Ms. Hu was appointed as an independent non-executive Director on 15 December 2011.

Mr. Koh Kwing Chang, aged 69, holds a Business Management Diploma from the New Zealand Institute of Management. Mr. Koh has extensive experience in the securities industry for over 30 years. Mr. Koh is currently a responsible officer of CIFCO Securities (Hong Kong) Co. Limited, a registered securities dealer under the Securities and Futures Ordinance. Mr. Koh was appointed as an independent non-executive Director on 22 May 2014.

Mr. Lui Wai Ming, aged 45, holds an Executive Master Degree in Business Administration from Cheung Kong Graduate School of Business in the Peoples' Republic of China. Mr. Lui is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Lui has extensive experience in auditing, accounting, investment, financial and corporate management for over 20 years. Mr. Lui was an independent non-executive director of Golden Shield Holdings (Industrial) Limited (stock code:2123) from 12 Jan 2015 to 11 May 2015, during the period he focused on investigation into the outstanding audit issues and the legal proceedings, and the company is currently under liquidation.

Mr. Lai Chi Leung, aged 48, holds a Bachelor of Arts in Accounting with a first class honour in the City of London Polytechnic (currently known as London Metropolitan University) in the United Kingdom. Mr. Lai is a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Lai has extensive working experience in audit, taxation, internal control and business review and appraisal for over 20 years. Mr. Lai is currently a director of South China CPA Limited, a corporate CPA practice in Hong Kong.

SENIOR MANAGEMENT

Dr. Chew Chee Wah, aged 51, is the compliance officer of the Company. Dr. Chew, an executive Director and chairman of the board of Directors, was appointed as the Company's compliance officer on 5 August 2014. Please refer to the sub-section headed “Executive Directors” above for Dr. Chew's biographical details.

Mr. Chiam Tat Yiu, aged 33, is the company secretary of the Company. Mr. Chiam is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chiam was appointed as the company secretary of the Company on 27 August 2014.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interest of its shareholders. It has continued and will continue to identify and adopt the best corporate governance practices appropriate to the Company.

The Company has adopted the code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 15 of the GEM Listing Rules as its own code on corporate governance practices. Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions as set out in the Code and there have been no material deviations from the Code during the year:

Code Provision A.2.1 – Throughout the year under review, the role of chief executive officer was assumed by Mr. Liu Bo from 1 April 2014 to 29 July 2014, who was an executive Director and the chairman of the Board. Dr. Chew Chee Wah was appointed as chairman of the Board on 29 July 2014 and the role of chief executive officer was assumed by Dr. Chew Chee Wah from 29 July 2014 to 5 August 2014. The roles of chairman and chief executive officer were separated on 5 August 2014 when Mr. Tam Kwok Leung was appointed as chief executive officer.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors’ securities transactions in securities of the Company.

Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance throughout the year ended 31 March 2015.

BOARD OF DIRECTORS

The Board is responsible for the formulation of strategies and policies, including an oversight of the management. The management of the Company is responsible for the day-to-day operations of the Company under the leadership of the chief executive officer.

The Board also assumes the corporate governance duties of the Company, which include:

- (i) developing and reviewing the Company’s policies and practices on corporate governance and making recommendations to the Board;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company’s policies and practices in compliance with the legal and regulatory requirements;
- (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and
- (v) reviewing the Company’s compliance with the Code and disclosure in the corporate governance report enclosed in the annual report of the Company.

CORPORATE GOVERNANCE REPORT

Throughout the year under review, the Board has assumed the above corporate governance duties by discussing and considering the above matters.

As at 31 March 2015, the Board comprised of fifteen Directors, including (i) seven executive Directors, namely Dr. Chew Chee Wah (as chairman of the Board), Mr. Tam Kwok Leung, Ms. Ju Lijun, Mr. Luk Chi Shing, Mr. Zhang Jinshu, Ms. Zhang He, Mr. Lee Yiu Tung; (ii) three non-executive Directors, namely Dr. Pan Jin, Mr. Dai Yuanxin and Ms. Xiao Yongzhen; and (iii) five independent non-executive Directors, namely Mr. Chan Yee Sze, Mr. Koh Kwing Chang, Ms. Hu Yun, Mr. Lui Wai Ming and Mr. Lai Chi Leung. Three of the independent non-executive Directors, namely Mr. Chan Yee Sze, Mr. Lui Wai Ming and Mr. Lai Chi Leung have appropriate professional qualifications, or accounting or related financial management expertise.

In determining the independence of independent non-executive Directors, the Board has followed the requirements set out in the GEM Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company is of the view that all the independent non-executive Directors have met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Board is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, while the chief executive officer of the Company, supported by other members of the Board and the senior management, is responsible for the day-to-day management of the Group's business, including the implementation of major strategies and initiatives adopted by the Group.

Pursuant to the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not more than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

The Board meets regularly, and at least four times a year of approximately quarterly internals. Between scheduled meetings, senior management of the Company from time to time meets with Directors to discuss the businesses of the Company. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2015, the Board held thirty nine board meetings and one general meeting and the attendance records of these meetings are set out below:

	Attendance
Executive Directors	
Dr. Chew Chee Wah (<i>appointed on 22 May 2014</i>)	34/36
Mr. Tam Kwok Leung (<i>appointed on 22 May 2014</i>)	34/36
Mr. Liu Bo (<i>resigned on 29 July 2014</i>)	4/13
Mr. Han Fangfa (<i>resigned on 26 August 2014</i>)	0/21
Mr. Zhang Jinshu	0/40
Ms. Ju Lijun	4/40
Ms. Huang Miaochan (<i>resigned on 30 December 2014</i>)	0/33
Mr. Luk Chi Shing (<i>appointed on 3 April 2014</i>)	25/39
Ms. Zhang He (<i>appointed on 15 August 2014</i>)	10/24
Mr. Lee Yiu Tung (<i>appointed on 18 August 2014</i>)	19/23
Non-executive Directors	
Dr. Pan Jin	0/40
Mr. Dai Yuanxin	2/40
Ms. Xiao Yongzhen	1/40
Independent non-executive Directors	
Mr. Chan Yee Sze	18/40
Mr. Xu Jingbin (<i>resigned on 2 January 2015</i>)	2/34
Ms. Hu Yun	2/40
Mr. Tan Heming (<i>resigned on 18 August 2014</i>)	3/17
Ms. Yuen Wai Man (<i>appointed on 3 April 2014 and resigned on 30 December 2014</i>)	15/23
Mr. Koh Kwing Chang (<i>appointed on 22 May 2014</i>)	30/36
Mr. Lui Wai Ming (<i>appointed on 22 May 2014</i>)	23/36
Mr. Lai Chi Leung (<i>appointed on 24 November 2014</i>)	8/31

As at 31 March 2015, each of the non-executive Directors has not entered into any service contract with the Company and has been appointed for a term of one year subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company.

There is no relationship (including financial, business, family or material/relevant relationship(s)) among members of the Board.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the Director.

During the year ended 31 March 2015, the Company has arranged a training on notifiable transactions and listing rules updates.

In addition, during the year under review, all Directors (as of 31 March 2015) have been provided with and read the materials prepared by the Company relating to their roles, functions and duties as directors of a listed issuer.

CORPORATE GOVERNANCE REPORT

The Directors also provided their training record to the Company in respect of their participation in other training activities such as attending trainings and/or seminars, or reading newspapers, journals and updates relevant to the Group's businesses or to their duties and responsibilities as directors of a listed company, particulars of which are as follows:

Name	Type of trainings
Executive Directors	
Dr. Chew Chee Wah (<i>appointed on 22 May 2014</i>)	A, B
Mr. Tam Kwok Leung (<i>appointed on 22 May 2014</i>)	A, B
Mr. Liu Bo (<i>resigned on 29 July 2014</i>)	B
Mr. Han Fangfa (<i>resigned on 26 August 2014</i>)	B
Mr. Zhang Jinshu	B
Ms. Ju Lijun	B
Ms. Huang Miaochan (<i>resigned on 30 December 2014</i>)	B
Mr. Luk Chi Shing (<i>appointed on 3 April 2014</i>)	A, B
Ms. Zhang He (<i>appointed on 15 August 2014</i>)	A, B
Mr. Lee Yiu Tung (<i>appointed on 18 August 2014</i>)	A, B
Non-executive Directors	
Dr. Pan Jin	B
Mr. Dai Yuanxin	B
Ms. Xiao Yongzhen	B
Independent non-executive Directors	
Mr. Chan Yee Sze	A, B
Mr. Xu Jingbin (<i>resigned on 2 January 2015</i>)	B
Ms. Hu Yun	B
Mr. Tan Heming (<i>resigned on 18 August 2014</i>)	B
Ms. Yuen Wai Man (<i>appointed on 3 April 2014 and resigned on 30 December 2014</i>)	B
Mr. Koh Kwing Chang (<i>appointed on 22 May 2014</i>)	A, B
Mr. Lui Wai Ming (<i>appointed on 22 May 2014</i>)	A, B
Mr. Lai Chi Leung (<i>appointed on 24 November 2014</i>)	A, B

A: Attending trainings and/or seminars

B: Reading newspapers, journals and updates relevant to the businesses of the Group or to the Director's duties and responsibilities

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROL

The Directors ensure the financial statements of the Group are prepared in accordance with the statutory requirement and applicable accounting standards.

The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibilities are set out in the section headed "Independent auditor's report" of this report.

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. The Board has conducted a review of the system of internal control of the Group, and made suggestions to improve the system. The Board was satisfied that the internal control system of the Group, after implementing the suggested improvements, would be effective.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established in 2005 with written terms of reference. As at 31 March 2015, the chairman of the Remuneration Committee was Mr. Chan Yee Sze, an independent non-executive Director, and the other members were Mr. Koh Kwing Chung, Mr. Lui Wai Ming, Mr. Lai Chi Leung and Ms. Hu Yun. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is mainly responsible for:

- (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) having the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors, and the Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (v) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (vi) ensuring that no Director or any of his associates is involved in deciding his own remuneration; and
- (vii) advising shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under Rule 17.90 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2015, the Remuneration Committee held four meetings, and the attendance records of these meetings are set out below:

	Attendance
Mr. Chan Yee Sze	2/4
Mr. Xu Jingbin (<i>resigned on 2 January 2015</i>)	1/4
Ms. Hu Yun	1/4
Mr. Tan Heming (<i>resigned on 18 August 2014</i>)	0/3
Ms. Yuen Wai Man (<i>appointed on 3 April 2014 and resigned on 30 December 2014</i>)	3/4
Mr. Koh Kwing Chang (<i>appointed on 22 May 2014</i>)	3/3
Mr. Lui Wai Ming (<i>appointed on 22 May 2014</i>)	0/3
Mr. Lai Chi Leung (<i>appointed on 24 November 2014</i>)	0/0

During the year under review, the Remuneration Committee has considered and reviewed the existing terms of appointment of the Directors. The Remuneration Committee considers that the existing terms of appointment of the Directors are fair and reasonable.

NOMINATION COMMITTEE

The nomination committee of the Company (the “**Nomination Committee**”) was established in 2012 with written terms of reference. As at 31 March 2015, the Chairman of the Nomination Committee was Mr. Chan Yee Sze, an independent non-executive Director, and the other members were Mr. Koh Kwing Chung, Mr. Lui Wai Ming, Mr. Lai Chi Leung and Ms. Hu Yun. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee is mainly responsible for:

- (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the board regarding any proposed changes;
- (ii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (iii) assessing the independence of independent non-executive Directors; and
- (iv) making recommendations to the Board on relevant matters relating to 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 ended 31 March 2015, the Nomination Committee held four meetings, and the attendance records of these meetings are set out below:

	Attendance
Mr. Chan Yee Sze	2/4
Mr. Xu Jingbin (<i>resigned on 2 January 2015</i>)	1/4
Ms. Hu Yun	1/4
Mr. Tan Heming (<i>resigned on 18 August 2014</i>)	0/3
Ms. Yuen Wai Man (<i>appointed on 3 April 2014 and resigned on 30 December 2014</i>)	3/4
Mr. Koh Kwing Chang (<i>appointed on 22 May 2014</i>)	3/3
Mr. Lui Wai Ming (<i>appointed on 22 May 2014</i>)	0/3
Mr. Lai Chi Leung (<i>appointed on 24 November 2014</i>)	0/0

CORPORATE GOVERNANCE REPORT

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board and the factors (including but not limited to age, gender, cultural and educational background, professional experience, skill and knowledge) to be considered in determining the optimum composition of the Board so as to contribute to the achievement of the Company's corporate goals and strategic objectives. The Nomination Committee will review the board diversity policy when appropriate to ensure its effectiveness and will discuss any revisions that may be required to be considered and approved by the Board.

The Nomination Committee is of the view that the current diversity of the Board is appropriate.

During the year under review, the Nomination Committee has considered and reviewed the policy for the nomination of Directors, the process and criteria to select and recommend candidates for directorship. The Nomination Committee considers that the existing policy for nomination, selection and recommendation for directorship are suitable.

AUDIT COMMITTEE

In full compliance with Rule 5.28 of the GEM Listing Rules, the audit committee of the Company (the "Audit Committee") was established in 2000 with written terms of reference. As at 31 March 2015, the chairman of the Audit Committee was Mr. Chan Yee Sze, an independent non-executive Director, and the other members were Mr. Koh Kwing Chung, Mr. Lui Wai Ming, Mr. Lai Chi Leung and Ms. Hu Yun. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Audit Committee, the Audit Committee is mainly responsible for:

- (i) considering the appointment of the external auditors, the performance of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditors;
- (ii) reviewing with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the Directors on such system to be included in the annual accounts prior to endorsement by the Board;
- (iii) having familiarity, through the individual efforts of its members, with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (iv) prior to its commencement, reviewing the scope of the external audit, including the engagement letter, and the review should include an understanding, from the external auditors of the factors considered by them in determining their audit scope, and negotiating the external auditors' fees with management;
- (v) reviewing the extent of non-audit services provided by the external auditors in relation to their independence;
- (vi) reviewing the quarterly, interim report and annual report prior to approval by the Board, with particular focus on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) compliance with accounting standards;
 - (e) compliance with the listing requirements of the Stock Exchange and legal requirements;
 - (f) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group;
 - (g) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;

CORPORATE GOVERNANCE REPORT

- (h) the cash flow position of the Group; and
- (i) providing advice and comments thereon to the Board.
- (vii) reviewing the draft representation letter prior to approval by the Board;
- (viii) reviewing and considering the budget, revised budget prepared by the Board;
- (ix) evaluating the cooperation received by the external auditors, including their access to all requested records, data and information; obtaining the comments of management regarding the responsiveness of the external auditors to the Group's needs; inquiring the external auditors as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (x) discussing with the external auditors any relevant recommendations arising from the audit; and reviewing the draft management letter including management's response to the points raised;
- (xi) when the auditors supply a substantial volume of non-audit services to the Group, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (xii) discussing with management the scope and quality of systems of internal control and risk management;
- (xiii) appraising the Board of significant developments in the course of performing the above duties;
- (xiv) recommending to the Board any appropriate extensions to, or changes, in the duties of the Audit Committee;
- (xv) reviewing the findings of internal investigations into any suspected frauds or irregularities or failures of internal controls or infringement of laws, rules and regulations and management's response;
- (xvi) (where an internal audit function exists) reviewing the internal audit program, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- (xvii) considering other topics, as defined or assigned by the Board from time to time.

During the financial year ended 31 March 2015, the Audit Committee held eleven meetings, and the attendance records of these meetings are set out below:

	Attendance
Mr. Chan Yee Sze	10/11
Mr. Xu Jingbin (<i>resigned on 2 January 2015</i>)	1/5
Ms. Hu Yun	1/11
Mr. Tan Heming (<i>resigned on 18 August 2014</i>)	0/1
Ms. Yuen Wai Man (<i>appointed on 3 April 2014 and resigned on 30 December 2014</i>)	1/5
Mr. Koh Kwing Chang (<i>appointed on 22 May 2014</i>)	10/10
Mr. Lui Wai Ming (<i>appointed on 22 May 2014</i>)	9/10
Mr. Lai Chi Leung (<i>appointed on 24 November 2014</i>)	6/7

The audited consolidated results for the year ended 31 March 2013 and 2014 have been reviewed by the Audit Committee on 16 April 2014 and 30 April 2015 respectively. The results for the period ended 30 June 2013, 30 September 2013, 31 December 2013, 30 June 2014, 30 September 2014 and 31 December 2014 have been reviewed by the Audit Committee on 28 November 2014, 15 January 2015, 16 February 2015, 19 June 2015, 23 June 2015 and 25 June 2015 respectively.

The audited consolidated results of the Group for the year ended 31 March 2015 have been reviewed by the Audit Committee as at the date of this report.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 March 2015 and 2014 were performed by Elite Partners CPA Limited and CCTH CPA Limited respectively.

The total fee paid/payable in respect of the statutory audit and non-audit services provided by the external auditors is set out in the following table:

	2015 HK\$'000	2014 HK\$'000
– Audit services	580	650
– Non-audit services	–	20
Total	580	670

SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the articles of association of the Company, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting 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. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so 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 to the requisitionist(s) by the Company.

In the event that any shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company would like to call for an extraordinary general meeting, please make a written requisition to the principal office of the Company in Hong Kong from time to time, making attention to "The Board of Directors and the Company Secretary".

There are no provisions allowing shareholders to put forward proposals at the general meetings under the memorandum and articles of association. If shareholders wish to do so, they may request to convene an extraordinary general meeting as stipulated above and specify the proposals in such written requisition.

For any enquiries, shareholders are welcome to contact the Company by post to the principal office of the Company in Hong Kong, by phone at (852) 3108 0188 or by fax at (852) 3108 0187.

INVESTOR RELATIONS

All corporate communication materials published on the GEM website (<http://www.hkgem.com>) are posted on the Company's corporate website (<http://www.equitynet.com.hk/8103/>) as soon as practicable after their release. The Company's constitutional documents are also available on both websites. During the year ended 31 March 2015, there have not been any significant changes to the Company's constitutional documents.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited financial statements of the Group for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 47 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 March 2015 by segments are set out in Note 11 to the consolidated financial statements.

ANNUAL RESULTS

The annual results of the Group for the year ended 31 March 2015 are set out in the section headed "Consolidated statement of profit or loss or other of comprehensive income" of this report.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2015 are set out in Note 40 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year under review are set out in the section headed "Consolidated statement of changes in equity" of this report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2015.

DISTRIBUTABLE RESERVES

The Company did not have reserves available for distribution to the shareholders as at 31 March 2015. Under the Companies Law of the Cayman Islands, the share premium of the Company amounted to approximately HK\$417.6 million at 31 March 2015 is distributable to the shareholders of the Company subject to the provisions of the Company's memorandum and articles of association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

BORROWINGS AND INTEREST CAPITALISED

Particulars of bank borrowings, the promissory notes, convertible bonds, amount due to noteholder and derivative financial instruments of convertible bonds of the Group as at 31 March 2015 are set out in Notes 35 to 38 to the consolidated financial statements.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year ended 31 March 2015 are set out in Note 20 to the consolidated financial statements.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2015, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 49% of the total purchases of the Group and the largest supplier amounted to approximately 48%.

For the year ended 31 March 2014, the aggregate percentage of sales attributable to the Group's five largest customers accounted for approximately 89% of the total sales of the Group and the largest customer amounted to approximately 38%.

At no time during the year have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIVIDENDS

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

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31 March 2015 are set out in Note 18 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in Note 48 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under the GEM Listing Rules.

DIRECTORS

During the year ended 31 March 2015 and up to the date of this report, the Board comprises the following Directors:

Executive Directors

Dr. Chew Chee Wah (*appointed on 22 May 2014 and appointed as chairman on 29 July 2014*)
Mr. Tam Kwok Leung (*appointed on 22 May 2014 and appointed as chief executive officer on 5 August 2014*)
Mr. Liu Bo (*resigned on 29 July 2014*)
Mr. Han Fangfa (*resigned on 26 August 2014*)
Ms. Ju Lijun
Mr. Zhang Jinshu
Ms. Huang MiaoChan (*resigned on 30 December 2014*)
Mr. Luk Chi Shing (*appointed on 3 April 2014*)
Ms. Zhang He (*appointed on 15 August 2014*)
Mr. Lee Yiu Tung (*appointed on 18 August 2014*)

Non-executive Directors

Dr. Pan Jin
Mr. Dai Yuanxin
Ms. Xiao Yongzhen

Independent non-executive Directors

Mr. Chan Yee Sze
Mr. Xu Jingbin (*resigned on 2 January 2015*)
Ms. Hu Yun
Mr. Tan Heming (*resigned on 18 August 2014*)
Ms. Yuen Wai Man (*appointed on 3 April 2014 and resigned on 30 December 2014*)
Mr. Koh Kwing Chang (*appointed on 22 May 2014*)
Mr. Lui Wai Ming (*appointed on 22 May 2014*)
Mr. Lai Chi Leung (*appointed on 24 November 2014*)

The biographical details of the Directors as at the date of this report are set out in the section of "Directors and senior management profile" of this report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Dr. Chew Chee Wah, Mr. Tam Kwok Leung, Mr. Luk Chi Shing, Ms. Zhang He and Mr. Lee Yiu Tung, being the executive Director of the Company; and Mr. Koh Kwing Chang, Mr. Lui Wai Ming and Mr. Lai Chi Leung, being the independent non-executive Director of the Company, have entered into service contracts with the Company for an initial term of three years commencing from their dates of appointment, and their employments are subject to the rotation requirements under the articles of association of the Company.

None of the Directors has entered into any service contract with any member of the Group which in order to entitle the Company to terminate the service contract, expressly requires the Company to give a period of notice of more than 1 year or to pay compensation or make other payments equivalent to more than 1 year's remuneration, other than statutory compensation.

Saved as disclosed above, each of the non-executive Director and the independent non-executive Director were appointed for a term of one year from the date of his/her appointment or re-appointment as a Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of his or her independence in relation to their services for the year ended 31 March 2015 pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that each of the independent non-executive Directors is independent.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 19 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2015, none of the Directors and chief executive of the Company were interested in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

CHANGE OF AUDITORS

The Company changed its auditor to Elite Partners CPA Limited approved by the shareholders on the Extraordinary General Meeting held on 2 June 2015.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 March 2015, the person (other than a director or chief executive of the Company) who have interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Name of the shareholder	Capacity	Number of shares held	Approximate percentage of shareholding (note 1)
Mr. Li Ming Ren	Beneficial owner	114,285,715	10.55%

Notes:

- As at 31 March 2015, the issued share capital of the Company was 1,083,223,857 shares.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2015, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 March 2015, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2015, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register. Save as disclosed above, as at 31 March 2015, the Directors were not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2015.

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2015.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2015.

DIRECTORS' REPORT

DIRECTORS' COMPETING INTERESTS

As at 31 March 2015, none of the Directors, the substantial shareholders or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 22 October 2003, the Company approved and adopted a share option scheme (the "**2003 Scheme**"). The 2003 Scheme was expired on 21 October 2013. All the options under the 2003 Scheme were lapsed as at the date of this report.

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 12 November 2014, the Company approved and adopted a share option scheme (the "**Scheme**"). During the year under review, no option was granted under the Scheme. Summary of the Scheme are set out below:

(a) Purpose of the Scheme

The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole.

(b) Participants

The categories of the participant under the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group or any entity in which any member of the Group holds an equity interest (an "Invested Entity") and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers, shareholders, co-investors, lenders of or to, and persons who have business relationships with, any member of the Group or any Invested Entity (including the employees thereof) who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The scope of participants under the Scheme is with an aim to attract, retain and maintain on-going business relationship with the other participants whose contributions are or will be beneficial to the long term growth of the Group which would enhance the value of the Company and its shares on the basis of the Board's discretion with reference to their history, business relationship and contributions with/to the Group.

(c) Maximum number of shares

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30 per cent. in nominal amount of the issued share capital of the Company from time to time ("Scheme Limit").

- (i) The maximum number of shares in respect of which options may be granted under the Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10 per cent. in nominal amount of the issued share capital of the Company on the adoption date (the "Scheme Mandate Limit"). Option lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) The Scheme Mandate Limit referred to in paragraph (c) (i) may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10 per cent. of the issued share capital of the Company as at the date of approval of the renewal of the Scheme Mandate Limit. Option previously granted under the Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

- (iii) The Company may grant options beyond the Scheme Mandate Limit to Participants if:
 - (a) the Company has first sent a circular to Shareholders containing a generic description of the specified participants in question, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose; and
 - (b) separate Shareholder's approval has been obtained.

(d) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to a specifically identified single grantee under the Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1 per cent. of the shares in issue (the "Individual Limit"). The Company may grant options beyond the Individual Limit to a participant at any time if:

- (i) the Company has first sent a circular to Shareholders containing the identity of the participant in question, the number and terms of the options to be granted (and options previously granted to such participant); and
- (ii) separate Shareholder's approval has been obtained in general meeting with the proposed relevant grantee (as the case may be) and his associates abstaining from voting.

(e) Subscription price for shares

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greater of:

- (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on date of grant;
- (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding date of grant; and
- (iii) the nominal value of a share.

(f) Duration of the Scheme

Subject to the provisions of the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date (the "ten-year" period), after which period no further options shall be offered or granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

(g) Exercise of options

An option may be exercised in whole or in part in accordance with the terms of the Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price multiplied by the number of shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of the Auditors' certificate or the certificate from the independent financial adviser to the Company, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid and issue to the grantee (or his legal personal representative(s)) share certificates in respect of the Shares so allotted.

DIRECTORS' REPORT

(h) Movements of the options granted under the 2003 Scheme

The movements of the options granted under the 2003 Scheme are as follows:

	Number of options outstanding as at 1 April 2014 <i>(note 1)</i>	Date of grant	Number of options granted during the year	Vesting period	Number of options exercised during the year	Closing price of the securities immediately before the date on which the options were exercised	Number of options cancelled or lapsed during the year	Number of options outstanding as at 31 March 2015 <i>(note 1)</i>	Exercise price of the option and exercise period <i>(note 1)</i>	Closing price immediately before the date on which the options were granted <i>(note 1)</i>
Others										
Employee	1,145,000	6 July 2010	Nil	Nil	Nil	Nil	1,145,000	Nil	HK\$2.78 (6 July 2010 to 5 July 2015)	HK\$2.8

Notes:

- The number of options, the exercise price and the closing price were adjusted taking into account the share consolidation of the shares of the Company on 11 November 2011 in which every ten then share of HK\$0.005 each was consolidated into one share of HK\$0.05 each.

MOVEMENT OF WARRANTS ISSUED ON 3 APRIL 2012

On 3 April 2012, the Company issued a total of 57,380,000 warrants, the remained outstanding as at 31 March 2015 and its movements during the year under review are as follows:

Outstanding as at 1 April 2014	Issued during the year	Exercised/lapsed during the year	Outstanding as at 31 March 2015	Subscription period	Subscription price per share
57,380,000	Nil	Nil	57,380,000	3 April 2012 to 2 April 2015	HK\$0.19

LITIGATION

1. On 9 September 2013, a deed of settlement was entered into between the Company and the trustee 王雨莎 (“Wang Yu Sha”) of the 20% equity interests in Shanghai Wanquan Insurance Brokers Limited (“Wanquan” or “上海萬全保險經紀有限公司”) (currently known as 上海君翊保險經紀有限公司 or Shanghai Junyi Insurance Brokers Limited) which was acquired by the Group in March 2011, in which such equity interests were transferred to an independent third party on 14 August 2012 without the consent and approval of the Company. Pursuant to the said deed of settlement, the said trustee agreed to pay a settlement fee in the sum of HK\$30 million to the Company in four equal instalments in cash on a quarterly basis from on or before 9 December 2013 onwards. Please refer to the announcement of the Company dated 9 September 2013 for further details of the deed of settlement. The trustee has already paid HK\$3 million out of the first instalment of HK\$7.5 million due on 9 December 2013. The Company has demanded the trustee to pay up the outstanding overdue sum and to put up collateral for the balance of the settlement sum.

In view of the fact that only HK\$3 million out of the HK\$30 million settlement fee has been paid, and the remaining has become overdue, the Directors have serious concerns over the recoverability of the settlement fees. The investment in Wanquan had been impaired in full for the year ended 31 March 2013.

The Company has commenced legal proceedings in the High Court of Hong Kong against the trustee to recover the outstanding amount. Judgment for a sum of HK\$19.5 million (being the outstanding balance of the first three instalments) has been obtained against the trustee. The overall strategy of the Company is to take all reasonable and economical measures to recover the judgment debt and the remaining balance of the settlement fees in full. The Company has conducted some investigation on whether the trustee has any assets in Hong Kong for purpose of enforcement of the judgment. However, up to date, the Company could not find any assets held by the trustee in Hong Kong. Since the trustee is a mainland citizen, the Company is obtaining legal advice from PRC lawyers to see it is possible and practicable to take legal action in the PRC. The Company will keep shareholders informed promptly on the progress in recovering such judgment debt and outstanding settlement fees.

2. On 4 April 2014, the Company was served with a sealed copy of a petition (the “**Petition**”) issued by Metal Winner Limited (“**MWL**”) in Companies (Winding-up) Proceedings No. 83 of 2014 in the High Court of Hong Kong (the “**Winding-up Proceedings**”) under which MWL claimed that the Company was indebted to MWL in the sum of HK\$5,700,000; and (b) petitioned that the Company be wound up by the Court. As at the date of this report, this Petition was dismissed by the High Court of Hong Kong. Separately, there are two other parties who claimed the Company was indebted to them. After investigation, the Company found that the alleged debts claimed by these two parties arose from certain dealings between a former director of the Company and these two parties. The nature and mechanism of these dealings were the same or very similar to that of MWL’s. In the Winding-up Proceedings, the court has found that there was an illegal scheme perpetrated on the Company by the aforesaid former director and MWL was a party to that scheme. In gist, the illegal scheme was that the aforesaid former director obtained loans from the counterparty and the Company was falsely made as a borrower to answer the repayment obligation. The Company commenced legal proceedings in the High Court (the “**Injunction Proceedings**”) against these two parties seeking an injunction to restrain them from presenting any petition for the winding-up of the Company or to apply to substitute MWL as petitioner in the Winding-up Proceedings (the “**Restrained Acts**”). The two parties gave an undertaking to the court not to do the Restrained Acts until the resolution of the Injunction Proceedings.

After the Winding-up Proceedings were dismissed by court, the Company also managed to resolve the Injunction Proceedings by way of a consent order after the two parties were willing to give further undertaking to the court not to present any petition for the winding-up of the Company pending determination of the Writ of Summons to be issued (if any) by them against the Company for recovery of the said alleged debts and/or the determination of any counterclaims or the Writ of Summons to be issued (if any) by the Company against them for declaratory relief that the said alleged debts are void or unenforceable.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the financial year ended 31 March 2015,

1. On 1 April 2015, the holders of warrants exercised its rights to subscribe 57,380,000 new shares of the Company at the subscription price of HK\$0.19 per share, giving rise to a proceed of approximately HK\$10,902,000.
2. On 20 April 2015, the Company has entered into an agreement with the purchaser (a third party) for the disposal of the intangible asset – Technical know-how for a cash consideration of HK\$7,000,000. Pursuant to the agreement, the purchaser has to settle with the following payment schedule: (i) HK\$700,000 within 7 days upon signing of the agreement; (ii) HK\$1,000,000 shall be paid to the Company on or before 30 June 2015; (iii) HK\$1,000,000 shall be paid to the Company on or before 31 August 2015; (iv) HK\$1,000,000 shall be paid to the Company on or before 31 October 2015; (v) HK\$1,000,000 shall be paid to the Company on or before 31 December 2015; (vi) HK\$1,000,000 shall be paid to the Company on or before 28 February 2016; (vii) HK\$1,300,000 shall be paid to the Company on or before 31 March 2016. The Company has assessed the financial capability of the vendor by examining the documents and information provided by the vendor. The Directors are of the view that the vendor would be able to settle on time with the above schedule. As at the date of this report, the Company has received HK\$1,700,000 respectively.
3. On 21 April 2015, the Company entered into an agreement with a third party, under which loan facility to the extent of HK\$50,000,000 is granted to the Company for a period of two years from the date of the agreement. The loan carries interest at 1.25% per month and is secured by the floating charge over all the assets of the Company. This loan has not been utilised up to the date of this report.
4. On 28 April 2015, the Group has entered into an agreement with an independent third party for the acquisition of 100% of the issued share capital of Wilco Printing Co., Limited ("Wilco") and the director's loan to Wilco at a consideration of HK\$1,537,029. Please refer to the announcement of the Company dated 28 April 2015 for further details of the acquisition. Wilco is principally engaged in the provision of printing services and solutions on advertisement, brochures and bound books to customers mainly in Hong Kong. After the acquisition, printing services become one of the principal businesses of the Group. As at the date of this report, the fair values of certain assets and liabilities and the purchase consideration have not be determined.
5. On 20 May 2015, the Company and the promissory note holder mutually agreed for the repayment of the promissory note together with accrued interests amounted to an aggregate of HK\$13,340,000 by five instalments, being HK\$2,000,000, HK\$2,000,000, HK\$3,000,000, HK\$3,000,000 and HK\$3,340,000 which fall due on 31 July 2015, 30 September 2015, 30 November 2015, 31 January 2016 and 31 March 2016 respectively.
6. On 28 May 2015, the Company and the noteholder of promissory note with the remaining principal amount of HK\$30,000,000 mutually agreed to extend the maturity date for one year from 30 September 2015 to 30 September 2016.
7. On 17 June 2015, the Company signed an underwriting agreement to raise not less than approximately HK\$28.52 million and not more than approximately HK\$40.92 million before expenses by issuing not less than 570,301,928 ordinary shares with par value HK\$0.05 each of the Company ("Shares") and not more than 818,499,792 Shares at the subscription price of HK\$0.05 per Shares on the basis of one Shares for every two existing Shares ("Open Offers"). These new shares rank pari passu in all respect with existing shares. Details of the Open Offers have been disclosed in the announcement dated on 17 June 2015. The net proceeds to be raised from the Open Offer will amount to not less than approximately HK\$27.52 million and not more than approximately HK\$39.49 million which will be used for general working capital of the Group.

The Company now proposes to raise the open offer price by HK\$0.02 to HK\$0.07 per offer share. The Company will raise additional minimum net proceeds of approximately HK\$11 million. The underwriter has verbally agreed to this open offer price increase. The Company expects to sign a supplemental underwriting agreement to reflect the open offer price increase before resumption of trading.

DIRECTORS' REPORT

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FIVE YEAR SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five year summary" of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

AUDITORS

Elite Partners CPA Limited acted as independent auditor of the Company for the year ended 31 March 2015.

On behalf of the Board

Zhang He

Executive Director

Hong Kong

13 July 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TAI SHING INTERNATIONAL (HOLDINGS) LIMITED

泰盛國際(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tai Shing International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 107, which comprise the consolidated statement 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 these 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

BASIS FOR QUALIFIED OPINION

Opening balances and comparative figures

As detailed in the auditor's report dated 30 April 2015 on the consolidated financial statements of the Group for the year ended 31 March 2014, the predecessor auditor disclaimed their opinion on the Group's consolidated financial statements for the year ended 31 March 2014. The details of which are set out in auditor's report dated 30 April 2015 and included in the Group's annual report for the year ended 31 March 2014.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2014 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the abovementioned matters would have a significant effect on the opening balances and consequential effect on the consolidated results and cash flows for the year ended 31 March 2014 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 March 2014. Our opinion on the current period's consolidated financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and corresponding figures.

INDEPENDENT AUDITOR'S REPORT

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the above section of Basis for Qualified Opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2015 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without further qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which states that the Group's current liabilities exceeded its current assets by HK\$60 million as at 31 March 2015. This condition indicates the existence of an uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong, 13 July 2015

Siu Edmund

Practising Certificate Number: P05333

Unite 2B-4A, 20th Floor, Tower 5,
China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong.

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	10	73,210	49,302
Cost of services		(67,756)	(49,192)
Gross profit		5,454	110
Gain on change in fair value of financial assets of fair value through profit or loss		1,502	–
Other income and gains	10	13,354	34,373
Selling and distribution expenses		(293)	(39)
Administrative expenses		(11,613)	(19,008)
Other losses and expenses	12	(2,408)	(211,974)
Finance costs	13	(6,935)	(8,179)
Share of (loss)/profit of an associate		(99)	51
Loss before tax		(1,038)	(204,666)
Income tax	14	578	(2,353)
Loss for the year attributable to owners of the Company	15	(460)	(207,019)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(54)	(759)
Reclassification adjustment relating to foreign operations disposed of during the year		–	(172)
Total comprehensive expense for the year attributable to owners of the Company		(514)	(207,950)
Loss per share	17		
– Basic		HK0.04 cents	HK20.36 cents
– Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current Assets			
Plant and equipment	20	4,826	5,514
Intangible assets	21	–	6,555
Interests in an associate	22	18,057	18,156
Available-for-sale investments	23	4,864	4,864
Disposal receivables	24	–	13,963
Deposit paid for acquisition of investment	25	11,318	20,126
		39,065	69,178
Current Assets			
Inventories	26	–	9,470
Trade and other receivables	27	33,089	30,067
Disposal receivables	24	15,058	1,425
Deposit paid for acquisition of investment	25	10,723	–
Deposits and prepayments	28	12,879	11,863
Amounts due from customers for contract work	29	9,196	10,274
Financial assets at fair value through profit or loss	30	34,002	493
Pledged bank deposits	31	1,457	288
Bank balances and cash		6,880	6,386
		123,284	70,266
Assets classified as held for sale	32	7,000	–
		130,284	70,266
Current Liabilities			
Amounts due to customers for contract work	29	5,145	20,942
Trade and other payables	33	96,471	86,006
Receipts in advance		5,647	5,226
Warranty provision	34	–	–
Bank borrowings	35	18,938	17,654
Promissory notes	36	42,521	10,000
Amount due to noteholder	38	15,000	15,000
Obligations under finance leases	39	–	439
Tax payable		6,907	8,565
		190,629	163,832
Net Current Liabilities		(60,345)	(93,566)
		(21,280)	(24,388)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Capital and Reserves			
Share capital	40	54,161	54,161
Share premium and reserves		(101,179)	(100,665)
Deficit attributable to owners of the Company		(47,018)	(46,504)
Non-current Liabilities			
Convertible bonds	37	25,729	22,076
Derivative financial instruments of convertible bonds	37	9	2
Obligations under finance leases	39	-	38
		25,738	22,116
		(21,280)	(24,388)

The consolidated financial statements on pages 34 to 107 were approved and authorised for issue by the Board of Directors on 13 July 2015 and are signed on its behalf by:

Zhang He
Director

Lee Yiu Tung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange translation reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31 March 2013	35,597	385,477	3,056	1,200	1,810	6,884	1,147	(324,377)	110,794	2,693	113,487
Loss for the year	-	-	-	-	-	-	-	(207,019)	(207,019)	-	(207,019)
Other comprehensive expense	-	-	-	-	-	(931)	-	-	(931)	-	(931)
Total comprehensive expense for the year	-	-	-	-	-	(931)	-	(207,019)	(207,950)	-	(207,950)
Decrease in non-controlling interests arising on disposal of subsidiary	-	-	-	-	-	-	-	-	-	(2,693)	(2,693)
Issue of shares upon											
– placement on shares	2,850	5,130	-	-	-	-	-	-	7,980	-	7,980
– conversion of convertible bonds	15,714	27,347	-	-	-	-	-	-	43,061	-	43,061
Share issue expenses	-	(389)	-	-	-	-	-	-	(389)	-	(389)
At 31 March 2014	54,161	417,565	3,056	1,200	1,810	5,953	1,147	(531,396)	(46,504)	-	(46,504)
Loss for the year	-	-	-	-	-	-	-	(460)	(460)	-	(460)
Other comprehensive expense	-	-	-	-	-	(54)	-	-	(54)	-	(54)
Total comprehensive expense for the year	-	-	-	-	-	(54)	-	(460)	(514)	-	(514)
Lapsed of share options	-	-	-	-	(1,810)	-	-	1,810	-	-	-
At 31 March 2015	54,161	417,565	3,056	1,200	-	5,899	1,147	(530,046)	(47,018)	-	(47,018)

Note: According to the relevant rules and regulations of the People's Republic of China (the "PRC"), the Company's subsidiaries established in the PRC should allocate part of their profit after taxation to the general reserve, which can be used for making good losses and to convert into paid-up capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(1,038)	(204,666)
Adjustments for:		
Amortisation of intangible assets	–	1,000
Depreciation of plant and equipment	714	1,214
Gain on disposal of financial assets at fair value through profit or loss	(483)	(22)
(Gain)/loss on change in fair value of		
– financial assets at fair value through profit or loss	(1,502)	200
– derivative financial instruments of convertible bonds	7	(17,056)
Finance costs	6,935	8,179
Gain on disposal of plant and equipment, net	(644)	(1,295)
Gain on disposal of subsidiaries	–	(6,387)
Impairment loss recognised in respect of:		
– intangible assets	–	26,945
– available-for-sale investments	–	102,507
– disposal receivables	–	1,347
– inventories	–	5,950
– trade receivables	2,401	10,745
– other receivables	–	39,406
– deposit paid for acquisition of subsidiaries	–	20,000
– deposit paid for acquisition of investment	–	4,874
Interest income	(29)	(36)
Imputed interest income	(4,583)	(2,235)
Provision for warranty, net	–	–
Reversal of impairment loss in respect of:		
– intangible assets	(445)	–
– trade receivables	(1,604)	(2,318)
– other receivables	(4,109)	(2,389)
Share of loss/(profit) of an associate	99	(51)
Net exchange loss/(gain)	17	(665)
Operating cash flows before movements in working capital	(4,264)	(14,753)
Decrease in inventories	9,470	–
Decrease/(increase) in trade and other receivables	625	(30,722)
(Increase)/decrease in deposits and prepayments	(1,013)	5,137
Decrease/(increase) in financial assets at fair value through profit or loss	976	(152)
Decrease in amounts due from customers for contract work	1,089	8,608
Decrease in amounts due to customers for contract work	(15,812)	(886)
Increase in trade and other payables	7,455	5,704
Increase/(decrease) in receipts in advance	415	(2,043)
NET CASH USED IN OPERATING ACTIVITIES	(1,059)	(29,107)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
INVESTING ACTIVITIES		
Purchase of plant and equipment	(31)	(2,819)
Proceeds from disposal of plant and equipment	232	1,674
Proceeds from disposal of subsidiaries in prior year	2,200	6,224
Acquisition of available-for-sale investment	–	(5,000)
Proceeds from disposal of available-for-sale investment in prior year	–	3,000
Deposits refund from acquisition of subsidiaries	500	–
Interest received	29	36
(Increase)/decrease in pledged bank deposits	(1,168)	960
NET CASH FROM INVESTING ACTIVITIES	1,762	4,075
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	7,980
Expenses on issue of shares	–	(389)
New bank borrowings raised	18,926	17,654
Repayment of bank borrowings	(17,665)	–
Repayment of obligations under finance leases	(54)	(1,883)
Interest and finance costs paid	(1,408)	(1,523)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(201)	21,839
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	502	(3,193)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,386	9,725
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(8)	(146)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6,880	6,386
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	6,880	6,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. GENERAL

Tai Shing International (Holdings) Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. 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").

Trading of shares of the Company on the GEM of the Stock Exchange was suspended on 2 July 2013 and has not been resumed up to the date of approval of these consolidated financial statements.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollar ("HK\$") as the directors of the Company consider that HK\$ is the appropriate presentation currency for the users of the Group's financial statements given that the shares of the Company are listed on the Stock Exchange.

The Company is principally engaged in investment holding and the principal activities of its principal subsidiaries are set out in Note 47.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing these consolidated financial statements, the directors have considered the future liquidity of the Group. As at 31 March 2015, the Group had recorded net current liabilities and net liabilities of approximately HK\$60,345,000 and HK\$47,018,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

- (a) On 22 December 2014, the Group sold its inventories of raw cottons for the cash consideration of HK\$10,000,000. The consideration is receivable by the Group by instalments, being HK\$2,500,000, HK\$4,000,000, HK\$2,000,000 and HK\$1,500,000 which fall due on 30 June 2015, 30 September 2015, 31 December 2015 and 31 March 2016 respectively. Up to the date of approval of these consolidated financial statements, HK\$3,500,000 has been received by the Group.
- (b) On 30 March 2015, the Group acquired certain listed equity securities from an independent third party at a consideration of HK\$32,500,000. The consideration is satisfied by way of issue the promissory note with the principal amount of HK\$32,500,000. The promissory note is unsecured, carries interest at 12% per annum and will be matured on 30 September 2015. Up to the date of approval of these consolidated financial statements, HK\$2,500,000 was repaid by the Group. On 28 May 2015, the Company and the noteholder mutually agreed to extend the maturity date of promissory note with the remaining principal amount of HK\$30,000,000 for one year from 30 September 2015 to 30 September 2016.
- (c) On 1 April 2015, all the warrants referred to in Note 46(b)(iii) were converted into 57,380,000 new shares of the Company at the subscription price of HK\$0.19 per share, giving rise to a proceed of approximately HK\$10,902,000 (before expense).
- (d) On 20 April 2015, the Group entered into an agreement with an independent third party for the disposal of the technical know-how as detailed in Note 21(b)(i) at a cash consideration of HK\$7,000,000, a deposit of which amounted to HK\$700,000 was received by the Group. The outstanding cash consideration of HK\$6,300,000 is receivable by the Group by six instalments, being HK\$1,000,000, HK\$1,000,000, HK\$1,000,000, HK\$1,000,000, HK\$1,000,000 and HK\$1,300,000 which fall due on 30 June 2015, 30 August 2015, 30 October 2015, 31 December 2015, 28 February 2016 and 31 March 2016 respectively. Up to the date of approval of these consolidated financial statements, HK\$1,700,000 has been received by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- (e) On 21 April 2015, the Company entered into an agreement with a third party, under which loan facility to the extent of HK\$50,000,000 is granted to the Company for a period of two years from the date of the agreement. The loan carries interest at 1.25% per month and is secured by the floating charge over all the assets of the Company. The loan has not been utilised up to the date of approval of these consolidated financial statements.
- (f) On 20 May 2015, the Company entered into an agreement with the holder of the promissory note with the principal amount of HK\$10,000,000 under which the noteholder has agreed for the repayment by the Company of the promissory note together with interest thereon amounted to a total of HK\$13,340,000 by five instalments, being HK\$2,000,000, HK\$2,000,000, HK\$3,000,000, HK\$3,000,000 and HK\$3,340,000 which fall due on 31 July 2015, 30 September 2015, 30 November 2015, 31 January 2016 and 31 March 2016 respectively.
- (g) On 17 June 2015, the Company signed an underwriting agreement to raise not less than approximately HK\$28,520,000 and not more than approximately HK\$40,920,000 before expenses by issuing not less than 570,301,928 ordinary shares with par value HK\$0.05 each of the Company ("Shares") and not more than 818,499,792 Shares at the subscription price of HK\$0.05 per Shares on the basis of one Shares for every two existing Shares ("Open Offers"). These new shares rank *pari passu* in all respect with existing shares. Details of the Open Offers have been disclosed in the announcement dated on 17 June 2015. The net proceeds to be raised from the Open Offer will amount to not less than approximately HK\$27,520,000 and not more than approximately HK\$39,490,000 which will be used for general working capital of the Group.

In light of the measures and arrangements implemented to date, the directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements, after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its businesses. Accordingly, the directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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

New and revised HKFRSs applied in current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations ⁴
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities: Applying the Consolidation Exception ⁴

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

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces 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 on 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 and give rise on specific 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 values at the end of subsequent reporting 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 designed as at fair value through profit or loss, HKFRS 9 requires that 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 fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- 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 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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 9 Financial Instruments (Continued)

The directors of the Company anticipate that the application of HKFRS 9 in the future may have significant impacts on amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial assets and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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, HKFRS 15 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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have 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 HKAS 1 Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not yet effective will have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

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 the characteristics of the asset or liability if market participants would take those characteristics 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of 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.

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.

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 in line with the Group's accounting policies.

All intragroup 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.

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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business 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, except that:

- deferred tax assets or 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 arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payments arrangements of the acquiree 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.

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, when applicable, on the basis specified in another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

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 (which cannot exceed one year from the acquisition date), 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.

(c) Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's relevant cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is indication that the unit may be impaired. When the recoverable amount of cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in paragraph (d) below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profits or losses and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

On acquisition of investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is reduced by sale related taxes.

(i) Systems development service

Revenue arising from the provision of systems development, maintenance and installation and consultancy services is recognised on the percentage of completion method, provided that the revenue, the cost incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the estimated total costs for each contract. When the outcome of a systems development contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

(ii) Professional service income

Professional service income represent fees for the provision of information technology engineering and technical support services and are recognised when the underlying professional services are rendered.

(iii) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iv) Revenue from the sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Systems development contracts

Where the outcome of a systems development contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a systems development contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as receipts in advance. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statement of financial position under trade and other receivables.

(h) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of 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 rates of exchanges 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets 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 each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve.

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), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(j) Retirement benefit costs

Payments to mandatory provident fund scheme and other state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

(k) Share-based payment arrangements

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

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 option 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 option 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 accumulated losses.

(l) 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. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) **Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

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 is 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 is 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 is also recognised in other comprehensive income or directly in equity respectively.

(m) **Plant and equipment**

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

Depreciation is recognised so as to write off the cost of assets less their residual value over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of 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 plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(n) **Intangible assets**

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired in a business combination.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment losses on tangible and intangible assets other than goodwill

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. Where 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.

Recoverable amount is the higher of fair value less costs to sell 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 a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(q) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is of the time value of money is material).

(r) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part or a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on financial asset and is included in the other income and gains, and other losses and expenses respectively in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including disposal receivables, trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS financial assets, which represent equity instruments that do not have a quoted market price in an active market and where fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; 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, in addition, 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 credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the 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 to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

For financial assets carried at cost, impairment loss recognised will not be reversed in subsequent period.

Financial liabilities and equity instruments

Classification of debt or equity

Debts and equity instruments issued by a group entity are classified either as 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.

Equity instruments

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

Convertible bonds contain debt component and derivative component (including the conversion option and the redemption option)

Convertible bonds issued by the Group that contain both debt and derivative components (including the conversion option and the redemption option) are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a derivative component. At the date of issue, both the debt component and derivative component (including the conversion option and the redemption option) are recognised at fair value.

In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component (including the conversion option and the redemption option) are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt component and derivative component (including the conversion option and the redemption option) in proportion to their relative fair values. Transaction costs relating to the derivative component (including the conversion option and the redemption option) are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain recognised in profit or loss incorporates any interest paid on the financial liability, if any.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowings, promissory notes, amount due to noteholder and obligations 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 expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium 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 is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the 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 in other comprehensive income is recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. 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 present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement 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 accounting policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as expense on a straight-line basis over the lease term.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are 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 associated 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.

(a) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimates (see Note 5(b) below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Investment in Tirack Holdings Corporation

As referred to in Note 23, the Group acquired 100% equity interest in Tirack Holdings Corporation ("Tirack") during the year. Tirack is an investment holding and, through its 55% equity owned subsidiary, Yan Shan Asia Corporation ("Yan Shan"), and other subsidiaries (together the "Tirack Group"), was principally engaged in the sale of air tickets, hotel reservations and travel products online in the PRC. Tirack and Yan Shan are entities incorporated in the Republic of Vanuatu and the directors of these entities, who are individuals and are not representatives of the Group, are under arrest or cannot be located. In the absence of these individuals, the board of directors of Tirack and Yan Shan cannot function and the Tirack Group ceased its principal operations shortly after its acquisition and becomes inactive thereafter. Having consulted legal advices, the directors are of the view that the Group cannot control or exercise significant influence over Tirack and Yan Shan, the entities in the Tirack Group are not regarded as the Company's subsidiaries or associates. As a result, the results, assets and liabilities of the Tirack Group are not accounted for in the consolidated financial statements on the consolidation basis or equity accounting basis. The Group's investment in Tirack, which is classified as available-for-sale financial assets, is stated in the financial statements at cost less any identified impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

(b) Key sources of estimation uncertainty

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

Revenue and profit recognition

Management of the Group estimates the percentage of completion of the systems development contracts by reference to the estimated total outcome of the systems development contracts as well as the work performed to date with reference to the work performed and costs incurred. The actual outcome in terms of total cost or revenue may be different from the estimates at the end of the reporting period, such differences will impact the revenue and the profit or loss recognised in the period in which such estimation is made. Budget cost or revenue of each contract will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

Impairment of intangible assets

Management assessed the recoverable amounts of intangible assets of the Group based on the higher of fair value less costs to sell and value in use. The value in use is based on the net projected revenue to be derived by the relevant intangible assets over their estimated useful lives discounted by suitable rates to arrive at their present value. If the actual net revenue to be derived are more or less than expected and/or significant variation in discount rates arises as a result of change in market conditions, material reversal of or provision for impairment loss on intangible assets may result. In respect of the year ended 31 March 2015, reversal of impairment loss of HK\$445,000 (2014: provision of impairment loss HK\$26,945,000) on intangible assets has been recognised.

Impairment loss on available-for-sale investments

Management assessed the recoverability of the available-for-sale investment based on the present value of the estimated future cash flows expected to arise from the investment and discounted at the appropriate rates of return. Estimation of future cash flows may be adversely affected by the deterioration in financial position of the investee, its industry and sector performances, changes in technology, and operational and financing cash flows. If the carrying amount of the investment is below or above its recoverable amount, material reversal of or provision for impairment loss may result. Variation in the estimated future cash flows and the discount rates used may result in adjustment to the recoverable amount. Impairment loss on available-for-sale investment amounting to HK\$nil (2014: HK\$102,507,000) has been recognised in respect of the year ended 31 March 2015, details of which are disclosed in Note 23.

Impairment loss on deposit paid for acquisition of investment

As detailed in Note 25, deposit amounted to HK\$25,000,000 (2014: HK\$25,000,000) was paid for the acquisition of investment in prior year. Impairment loss of HK\$4,874,000 has been recognised on such deposit paid based on the present value of the deposit by applying the discount rate of 12% per annum. Where the actual outcome of the recoverability of the deposit paid differs from the management expectation, further impairment loss may be required to be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

(b) Key sources of estimation uncertainty *(Continued)*

Impairment loss recognised in respect of trade receivables and retention receivables

The Group performs ongoing credit evaluations of its customers and retention receivables and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. In addition, the Group will make provision based on the aging analysis of the trade and retention receivables. At 31 March 2015, the carrying amounts of trade receivables and retention receivables are in aggregate of approximately HK\$25,246,000, net of impairment losses of approximately HK\$52,066,000 (2014: carrying amounts in the aggregate of HK\$25,146,000, net of impairment losses of approximately HK\$51,230,000).

Impairment loss recognised in respect of disposal receivables and other receivables

The policy for provision for impairment loss of disposal receivables and other receivables of the Group is determined by management based on the evaluation of collectability and aging analysis of such receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each receivable. At 31 March 2015, the carrying amount of the disposal receivables is HK\$15,058,000, net of impairment loss of HK\$27,947,000 (2014: carrying amount of HK\$15,388,000, net of impairment loss of HK\$27,947,000). As at that date, the carrying amount of other receivables is HK\$7,844,000, net of impairment loss of approximately HK\$71,816,000 (2014: carrying amount of HK\$4,921,000, net of impairment loss of HK\$75,836,000).

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions for the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

(b) Key sources of estimation uncertainty *(Continued)*

Warranty provision

The Group makes warranty provision based on information available as at the date of approval of the consolidated financial statements indicating that it is probable that the Group will be required to settle the present obligations. As disclosed in Note 34, the Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation used by management. If the costs are settled for an amount greater than management's estimation, a future charge to consolidated statement of comprehensive income will result. Likewise, if the costs are settled for an amount that is less than the estimation, a future credit to consolidated statement of profit or loss and other comprehensive income will result.

Valuation of derivative financial instruments of convertible bonds

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the derivative financial instruments of convertible bonds. Detailed information about the key assumptions used in the determination of the fair value of these derivative financial instruments is set out in Note 37. The directors believe that the techniques and assumptions used are appropriate in determining the fair value of the derivative financial instruments of the convertible bonds.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes convertible bonds as disclosed in Note 37, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Group review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through issues of new shares and debts, repayment of existing debts and payment of dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
<i>Financial assets</i>		
Available-for-sale investments, at cost less impairment	4,864	4,864
Financial assets at fair value through profit or loss	34,002	493
Loans and receivables, at amortised cost		
Deposit paid for acquisition of investment	22,041	–
Disposal receivables	15,058	15,388
Trade and other receivables	33,089	30,067
Pledged bank deposits	1,457	288
Bank balances and cash	6,880	6,386
	117,391	57,486
<i>Financial liabilities</i>		
Financial liabilities at amortised cost		
Trade and other payables	96,471	86,006
Bank borrowings	18,938	17,654
Promissory notes	42,521	10,000
Convertible bonds	25,729	22,076
Amount due to noteholder	15,000	15,000
Obligations under finance leases	–	477
	198,659	151,213
Derivative financial instruments of convertible bonds, at fair value through profit or loss	9	2
	198,668	151,215

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, deposit paid for acquisition of investment, disposal receivables, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings, promissory notes, convertible bonds, amount due to noteholder, derivative financial instruments of convertible bonds and obligations under finance leases. Details of these financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment, which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

There has been no change in the Group's exposure to these kinds of risks or the manner in which the Group manages and measures these risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Foreign currency risk

Foreign currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cash flows. Management considers that the Group is not exposed to significant foreign currency risk as the majority of its operations are in the PRC with their functional currency of RMB.

For the two years ended 31 March 2015 and 2014, the Group mainly earned revenue in RMB and incurred costs in HK\$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it manages its foreign currency exposure by ensuring that the revenue earned in RMB are used to pay for RMB denominated costs. Funds raised from financing activities which are mainly denominated in HK\$ are used to pay for HK\$ expenses.

The directors do not expect the fluctuation in the exchange rate of RMB to HK\$ to have any material adverse effect on the operation of the Group, accordingly no sensitivity analysis is presented.

Interest rate risk

The Group is exposed to interest rate risk in relation to its variable-rate bank deposits, bank borrowings, promissory notes and obligations under finance leases. The pledged bank deposits, bank balances and bank borrowings bearing interests at variable rates expose the Group to cash flow interest rate risk. Promissory notes, amount due to noteholder and obligations under finance leases bearing interest at fixed rates expose the Group to fair value interest rate risk.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is insignificant, accordingly no sensitivity analysis is presented.

Sensitivity analysis

If interest rates have been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2015 would increase/decrease by approximately HK\$95,000 (2014: HK\$66,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings which carried interest at floating rates.

The sensitivity analysis above has been determined based on the exposure to interest rates for bank borrowings as at the end of the reporting period. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

Sensitivity analyses

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% (2014: nil) higher/lower, loss for the year would decrease/increase by HK\$3,400,000 (2014: nil) as a result of the changes in fair value of investment in listed equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations is the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group 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. In addition, the Group reviews the recoverable amount of each individual debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group closely monitors the collectability of trade debtors at the end of the reporting period to ensure that the amounts are recoverable. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 65% (2014: 29%) of the total trade receivables are due from the Group's five largest customers respectively and are attributable to the systems development business segment. In addition, the Group has also concentration of credit risk regarding the disposal receivables and other receivables as detailed in Notes 24 and 28 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorised banks in the PRC.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

As at 31 March 2015, the Group had recorded net current liabilities and net liabilities of approximately HK\$60,345,000 (2014: HK\$93,566,000) and HK\$47,018,000 (2014: HK\$46,504,000). Based on the measures and arrangements made subsequent to 31 March 2015, as detailed in Note 2, the directors are of the view that the Group is able to operate as a going concern for the foreseeable future.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants, if any.

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Within 1 year or on demand HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2015					
<i>Non-derivative financial assets</i>					
Available-for-sale investments	4,864	-	-	4,864	4,864
Disposal receivables	16,700	-	-	16,700	15,058
Deposit paid for acquisition of investment	24,500	-	-	24,500	22,041
Trade and other receivables	33,089	-	-	33,089	33,089
Financial assets at fair value through profit or loss	34,002	-	-	34,002	34,002
Pledged bank deposits	1,457	-	-	1,457	1,457
Bank balances and cash	6,880	-	-	6,880	6,880
	121,492	-	-	121,492	117,391
<i>Non-derivative financial liabilities</i>					
Trade and other payables	96,471	-	-	96,471	96,471
Bank borrowings	18,938	-	-	18,938	18,938
Promissory notes	45,550	-	-	45,550	42,521
Convertible bonds (excluding derivative financial instruments)	-	30,000	-	30,000	25,729
Amount due to noteholder	15,000	-	-	15,000	15,000
	175,959	30,000	-	205,959	198,659
	Within 1 year or on demand HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2014					
<i>Non-derivative financial assets</i>					
Available-for-sale investments	4,864	-	-	4,864	4,864
Disposal receivables	1,500	16,200	-	17,700	15,388
Trade and other receivables	30,067	-	-	30,067	30,067
Financial assets at fair value through profit or loss	493	-	-	493	493
Pledged bank deposits	288	-	-	288	288
Bank balances and cash	6,386	-	-	6,386	6,386
	43,598	16,200	-	59,798	57,486
<i>Non-derivative financial liabilities</i>					
Trade and other payables	86,006	-	-	86,006	86,006
Bank borrowings	17,763	-	-	17,763	17,654
Promissory notes	10,000	-	-	10,000	10,000
Convertible bonds (excluding derivative financial instruments)	-	-	30,000	30,000	22,076
Amount due to noteholder	15,000	-	-	15,000	15,000
Obligations under finance leases	453	38	-	491	477
	129,222	38	30,000	159,260	151,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

9. FAIR VALUE

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's financial assets at fair value through profit or loss and derivative financial instruments of convertible bonds are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2015 HK\$'000	2014 HK\$'000				
Financial assets						
Financial assets at fair value through profit or loss	34,002	493	Level 1	Quoted bid prices in an active market	N/A	N/A
Financial liabilities						
Derivative financial instruments of convertible bonds	9	2	Level 3	Binomial Option Pricing Model (2014: Binomial Option Pricing Model) key inputs are detailed in Note 37	Share price: HK\$0.050 (2014: HK\$0.017) Conversion price: HK\$0.175 (2014: HK\$0.175) Risk-free rate: 0.006% (2014: 0.454%) Option life: 1.007 years (2014: 2.006 years) Volatility: 52.653% (2014: 60.254%) Dividend yield: 0% (2014: 0%)	The higher the share price, the higher the fair value The lower the conversion price, the higher the fair value The lower the risk-free rate, the higher the fair value The higher the option life, the higher the fair value The higher the volatility, the higher the fair value The higher the dividend yield, the higher the fair value

There were no transfer of the financial assets and financial liabilities between the levels in both of the years presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. FAIR VALUE (Continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(iii) Reconciliation of Level 3 fair value measurements

At 31 March 2015

	Derivative financial instruments of convertible bonds HK\$'000
At 1 April 2014	2
Total loss in profit or loss	7
	<hr/>
At 31 March 2015	9
	<hr/>
Total loss recognised in the consolidated statement of profit or loss and other comprehensive income relating to liabilities held at 31 March 2015	7
	<hr/>

At 31 March 2014

	Derivative financial instruments of convertible bonds HK\$'000
At 1 April 2013	–
Issues	23,819
Converts	(7,140)
Total gain in profit or loss	(16,677)
	<hr/>
At 31 March 2014	2
	<hr/>
Total gain recognised in the consolidated statement of profit or loss and other comprehensive income relating to liabilities held at 31 March 2014	(16,677)
	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

10. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the turnover of the Group, represents income from systems development and professional services rendered and sales of goods, net of sales related taxes.

	2015 HK\$'000	2014 HK\$'000
Revenue from provision of		
Systems development services	41,398	39,119
Professional services	22,342	10,183
Sales of goods	9,470	–
Total revenue	73,210	49,302
Other income and gains		
Interest income from bank deposits	29	36
Imputed interest income on disposal receivables	4,583	2,235
Exchange gain	–	300
Value added tax refunded (Note a)	181	2,110
Rental income	–	122
Sundry income	1,265	103
Gain on disposal of financial assets at fair value through profit or loss	483	22
Gain on disposal of subsidiaries	–	6,387
Gain on disposal of plant and equipment	655	1,295
Gain on change in fair value of derivative financial instruments of convertible bonds	–	17,056
Reversal of impairment loss in respect of:		
– intangible assets	445	–
– trade receivables	1,604	2,318
– other receivables	4,109	2,389
Total other income and gains	13,354	34,373

Note:

- a. A tax concession was granted by the PRC tax authorities to the Company's subsidiary, Beijing Tongfang Electronic Science & Technology Limited ("Beijing Tongfang") for the sales of certain self-developed computer software products. Under this concession, Beijing Tongfang is entitled to a refund of value added tax paid in excess of an effective rate of 3%. The value added tax refunded is included in other income and gains.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

11. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

During the current year, the Group commenced its proprietary trading business in Hong Kong which formed a separate operating division of the Group. Therefore, the Group is currently organised into three operating divisions – systems development, professional services and proprietary trading which represent the Group’s three operating segments. During the year ended 31 March 2014, the Group has two operating divisions – systems development and professional services which represent the Group’s two operating segments.

Systems development	–	Provision of systems development, maintenance and installation as well as consulting service and software licensing.
Professional services	–	Provision of information technology engineering and technical support services.
Proprietary trading	–	Trading of listed securities in Hong Kong

(a) Segment revenues and results

The following is an analysis of the Group’s revenues and results by its operating and reportable segments.

	Year ended 31 March											
	Systems development		Professional services		Proprietary trading		Segment total		Unallocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER												
Revenue from external customers	41,398	39,119	22,342	10,183	-	-	63,740	49,302	9,470	-	73,210	49,302
RESULT												
Segment results	388	(36,604)	3,081	3,769	1,502	-	4,971	(32,835)	-	-	4,971	(32,835)
Interest income											4,612	2,271
Unallocated income and gains											5,249	27,978
Unallocated expenses and losses											(8,836)	(193,952)
Finance costs											(6,935)	(8,179)
Share of (loss)/profit of an associate											(99)	51
Loss before tax											(1,038)	(204,666)

There were no sales between the reportable segments for both of the years ended 31 March 2015 and 2014.

The accounting policies of the reportable segments are the same as the Group’s accounting policies. Segment results represents the results of each segment without allocation of interest income, certain other income and gains and other expenses and losses (including central administration costs and directors’ remunerations and finance costs) and share of results of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

11. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by its operating and reportable segments.

	At 31 March							
	Systems development		Professional services		Proprietary trading		Consolidated	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
ASSETS								
Segment assets	35,911	35,286	3,455	7,883	34,002	-	73,368	43,169
Unallocated corporate assets								
- Plant and equipment							48	66
- Intangible assets							-	6,555
- Interest in an associate							18,057	18,156
- Available-for-sale investments							4,864	4,864
- Disposal receivables							15,058	15,388
- Deposit paid for acquisition of investment							22,041	20,126
- Inventories							-	9,470
- Other receivables, deposits and prepayments							20,576	14,483
- Financial assets at fair value through profit or loss							-	493
- Pledged bank deposits							1,457	288
- Bank balances and cash							6,880	6,386
- Assets classified as held for sale							7,000	-
Total assets							169,349	139,444
LIABILITIES								
Segment liabilities	46,655	45,745	8,358	18,355	-	-	55,013	64,100
Unallocated corporate liabilities								
- Other payables							52,250	48,074
- Bank borrowings							18,938	17,654
- Promissory notes							42,521	10,000
- Convertible bonds							25,729	22,076
- Derivative financial instruments of convertible bonds							9	2
- Amount due to noteholder							15,000	15,000
- Obligations under finance leases							-	477
- Tax payable							6,907	8,565
Total liabilities							216,367	185,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

11. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all major assets are allocated to reportable segments other than interest in an associate, intangible assets, available-for-sale investments, disposal receivables, deposits paid for acquisition of investment, inventories, other receivables, deposits and prepayments, certain financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash and assets classified as held for sale. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all major liabilities are allocated to reportable segments other than certain other payables, bank borrowings, promissory notes, convertible bonds, derivative financial instruments of convertible bonds, amount due to noteholder, obligations under finance leases and tax payable. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(c) Geographical information

For the two years ended 31 March 2015 and 2014, over 90% of the Group's revenue are derived from customers and operations based in the PRC, no further analysis of the Group's revenue by geographical location.

Information about the Group's non-current assets (excluding interests in an associate, available-for-sale investments, disposal receivables and deposits paid for acquisition of investment) presented based on the location is as below:

	2015 HK\$'000	2014 HK\$'000
Hong Kong	49	6,622
PRC	4,777	5,447
	4,826	12,069

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For the year ended 31 March 2015

11. SEGMENT INFORMATION (Continued)

(d) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	For the year ended 31 March											
	Systems development		Professional services		Proprietary trading		Segment total		Unallocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information												
Depreciation of plant and equipment	440	380	237	76	-	-	677	456	37	758	714	1,214
Amortisation of intangible assets	-	-	-	-	-	-	-	-	-	1,000	-	1,000
Impairment loss recognised in respect of:												
- intangible assets	-	25,000	-	-	-	-	-	25,000	-	1,945	-	26,945
- available-for-sale investments	-	-	-	-	-	-	-	-	-	102,507	-	102,507
- disposal receivables	-	-	-	-	-	-	-	-	-	1,347	-	1,347
- deposits paid for acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	20,000	-	20,000
- deposit paid for acquisition of investment	-	-	-	-	-	-	-	-	-	4,874	-	4,874
- inventories	-	-	-	-	-	-	-	-	-	5,950	-	5,950
- trade receivables	2,401	10,486	-	259	-	-	2,401	10,745	-	-	2,401	10,745
- other receivables	-	39,406	-	-	-	-	-	39,406	-	-	-	39,406
(Gain)/loss on disposal of:												
- plant and equipment	-	6	-	1	-	-	-	7	(644)	(1,302)	(644)	(1,295)
Loss/(gain) on change in fair value of:												
- financial assets at fair value through profit or loss	-	-	-	-	(1,502)	-	(1,502)	-	-	200	(1,502)	200
- derivative financial instruments of convertible bonds	-	-	-	-	-	-	-	-	7	(17,056)	7	(17,056)
Reversal of impairment loss in respect of:												
- intangible assets	-	-	-	-	-	-	-	-	(445)	-	(445)	-
- trade receivables	(1,104)	(2,318)	(500)	-	-	-	(1,604)	(2,318)	-	-	(1,604)	(2,318)
- retention receivables	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	(1,334)	(1,639)	-	-	-	-	(1,334)	(1,639)	(2,775)	(750)	(4,109)	(2,389)
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	(483)	(22)	(483)	(22)
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(6,387)	-	(6,387)
Additions to non-current assets (Note)	-	2,016	-	436	-	-	-	2,452	31	367	31	2,819

Note: Non-current assets excluded financial instruments.

(e) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group as follows:

	Revenue generated from	2015 HK\$'000	2014 HK\$'000
Customer A	System development	N/A*	10,663
Customer B	Professional service	14,284	N/A^
Customer C	Sale of goods	9,040	N/A^

^ Revenue from the customer B and C for the corresponding prior year did not contribute over 10% of the total revenue for that year

* Revenue from the customer A for the current year did not contribute over 10% of the total revenue for that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

12. OTHER LOSSES AND EXPENSES

	2015 HK\$'000	2014 HK\$'000
Impairment loss recognised in respect of:		
– Intangible assets	–	26,945
– Available-for-sale investments	–	102,507
– Disposal receivables	–	1,347
– Deposits paid for acquisition of subsidiaries	–	20,000
– Deposit paid for acquisition of investment	–	4,874
– Inventories	–	5,950
– Trade receivables	2,401	10,745
– Other receivables	–	39,406
Loss on change in fair value of financial assets at fair value through profit or loss	–	200
Loss on change in fair value of derivative financial instruments of convertible bonds	7	–
	2,408	211,974

13. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on bank borrowings repayable within one year	1,406	1,200
Imputed interest on promissory notes	1,122	1,138
Imputed interest on convertible bonds	3,653	5,022
Interest on amount due to noteholder	752	496
Finance costs on finance leases	2	323
	6,935	8,179

14. INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Current tax		
– PRC Enterprise Income Tax	2	2,353
– Over provision in prior year	(580)	–
	(578)	2,353

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14. INCOME TAX (Continued)

- (i) No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for the year.
- (ii) Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate applicable to PRC Enterprise Income Tax is 25%.

The income tax can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK\$'000	2014 HK\$'000
Loss before tax	(1,038)	(204,666)
Tax at the applicable tax rate of 25% (2014: 25%)	(260)	(51,167)
Tax effect of income not taxable for tax purposes	(17,928)	(6,845)
Tax effect of expenses not deductible for tax purposes	16,112	58,956
Tax effect of tax losses and other deductible temporary differences not recognised	2,078	1,325
Over provision in prior year	(580)	–
Others	–	84
Income tax	(578)	2,353

Details of deferred taxation are set out in Note 43.

15. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2015 HK\$'000	2014 HK\$'000
Staff costs		
Salaries and other benefits	3,216	3,596
Retirement benefits scheme contributions	44	366
	3,260	3,962
Auditors' remuneration	580	650
Amortisation of intangible assets	–	1,000
Depreciation of plant and equipment	714	1,214
Operating lease charges in respect of land and buildings	545	684
Loss on disposal of plant and equipment	11	–

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For the year ended 31 March 2015

16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2015, nor has any dividend been proposed since the end of the reporting date (2014: Nil).

17. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of HK\$460,000 (2014: HK\$207,019,000) and 1,083,224,000 (2014: weighted average number of 1,016,769,000) ordinary shares in issue during the year.

Diluted loss per share is not presented because the Group sustained a loss for both of the years presented and the impact of conversion of convertible bonds and exercise of share options and warrants, if any, is regarded as anti-dilutive.

18. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,377	2,491
Retirement benefits scheme contributions	44	366
	1,421	2,857

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees, the assets of the scheme are held separately from those of the Group in funds under the control of trustees. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's contributions vest fully with the employees when payments are made.

PRC, other than Hong Kong

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of the payroll of its employees to the retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the specific contribution.

At the end of the reporting period, no forfeited contributions may be used by the employer to reduce the existing level of contributions.

19. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	2015 HK\$'000	2014 HK\$'000
Directors' fees	1,839	1,105
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	1,839	1,105

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For the year ended 31 March 2015

19. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments paid or payable to each of the directors were as follows:

	For the year ended 31 March 2015			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	
Executive directors:				
Mr. Luk Chi Shing (appointed on 3 April 2014)	179	-	-	179
Dr. Chew Chee Wah (appointed on 22 May 2014)	295	-	-	295
Mr. Tam Kwok Leung (appointed on 22 May 2014)	155	-	-	155
Ms. Zhang He (appointed on 15 August 2014)	113	-	-	113
Mr. Lee Yiu Tung (appointed on 18 August 2014)	112	-	-	112
Mr. Lai Chi Leung (appointed on 22 November 2014)	42	-	-	42
Mr. Liu Bo (resigned on 28 July 2014)	-	-	-	-
Mr. Han Fangfa (resigned on 26 August 2014)	-	-	-	-
Mr. Zhang Jinshu	120	-	-	120
Ms. Ju Lijun	120	-	-	120
Ms. Huang MiaoChan (resigned on 31 December 2014)	-	-	-	-
Non-executive directors and Independent non-executive directors:				
Dr. Pan Jin	60	-	-	60
Mr. Dai Yuanxin	1	-	-	1
Ms. Xiao Yongzhen	60	-	-	60
Mr. Chan Yee Sze	120	-	-	120
Mr. Xu Jingbin (resigned on 2 January 2015)	-	-	-	-
Ms. Hu Yun	120	-	-	120
Mr. Tan Heming (resigned on 18 August 2014)	36	-	-	36
Ms. Yuen Wai Man (appointed on 13 April 2014)	100	-	-	100
Mr. Koh Kwing Chang (appointed on 22 May 2015)	103	-	-	103
Mr. Lui Wai Ming (appointed on 22 May 2015)	103	-	-	103
	1,839	-	-	1,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

19. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments paid or payable to each of the directors were as follows:

	For the year ended 31 March 2014			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	
Executive directors:				
Mr. Liu Bo	120	–	–	120
Mr. Han Fangfa	120	–	–	120
Mr. Zhang Jinshu	120	–	–	120
Ms. Ju Lijun	120	–	–	120
Ms. Huang MiaoChan	120	–	–	120
Non-executive directors and Independent non-executive directors:				
Dr. Pan Jin	60	–	–	60
Mr. Dai Yuanxin	1	–	–	1
Ms. Xiao Yongzhen	60	–	–	60
Mr. Chan Yee Sze	120	–	–	120
Mr. Xu Jingbin	120	–	–	120
Ms. Hu Yun	120	–	–	120
Mr. Tan Heming	24	–	–	24
	1,105	–	–	1,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

19. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, three (2014: one) were directors of the Company whose emoluments included in the disclosures in note a above.

The emoluments of the remaining two (2014: four) highest paid individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	575	892
Retirement benefits scheme contributions	35	85
	610	977

Their emoluments were within the following band:

	Number of individuals	
	2015	2014
Nil – HK\$1,000,000	2	4

- (c) No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2015 and 2014. No bonuses were paid by the Group to the directors or the five highest paid individuals which are discretionary or are based on the Group's performance during the two years ended 31 March 2015 and 2014.

During the year ended 31 March 2015, 4 directors waived emoluments amounted to HK\$1,181,000 (2014: Nil) which included in sundry income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

20. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2013	1,752	89	4,510	9,121	15,472
Exchange realignment	32	–	78	59	169
Additions	350	–	17	2,452	2,819
Disposals	(350)	–	–	(3,668)	(4,018)
Derecognised on disposal of subsidiaries	–	(18)	(11)	–	(29)
At 31 March 2014	1,784	71	4,594	7,964	14,413
Exchange realignment	2	–	6	7	15
Additions	31	–	–	–	31
Disposal	(7)	(26)	–	(2,222)	(2,255)
At 31 March 2015	1,810	45	4,600	5,749	12,204
ACCUMULATED DEPRECIATION					
At 1 April 2013	1,746	72	3,855	5,569	11,242
Exchange realignment	31	–	69	11	111
Provided for the year	54	6	98	1,056	1,214
Eliminated on disposals	(52)	–	–	(3,600)	(3,652)
Derecognised on disposal of subsidiaries	–	(14)	(2)	–	(16)
At 31 March 2014	1,779	64	4,020	3,036	8,899
Exchange realignment	2	–	6	1	9
Provided for the year	2	1	63	648	714
Eliminated on disposals	(2)	(20)	–	(2,222)	(2,244)
At 31 March 2015	1,781	45	4,089	1,463	7,378
CARRYING AMOUNTS					
At 31 March 2015	29	–	511	4,286	4,826
At 31 March 2014	5	7	574	4,928	5,514

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives, less their residual values, as follows:

Leasehold improvements	Over the shorter of lease terms or 5 years
Furniture and fixtures	5 years
Computer and office equipment	5 years
Motor vehicles	3 ¹ / ₃ to 8 years

The motor vehicles which were held under finance leases have been fully depreciated at 31 March 2014. No plant and equipment were held under finance leases at 31 March 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

21. INTANGIBLE ASSETS

	InsureLink System (Note a) HK\$'000	Technical know-how (Note b) HK\$'000	Total HK\$'000
COST			
At 1 April 2013	150,355	45,179	195,534
Derecognised on disposal of subsidiaries	–	(35,179)	(35,179)
At 31 March 2014	150,355	10,000	160,355
Reclassified as held for sale	–	(10,000)	(10,000)
At 31 March 2015	150,355	–	150,355
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 April 2013	125,355	35,679	161,034
Amortisation for the year	–	1,000	1,000
Impairment loss recognised and included in other losses and expenses	25,000	1,945	26,945
Eliminated on disposal of subsidiaries	–	(35,179)	(35,179)
At 31 March 2014	150,355	3,445	153,800
Reversal of impairment loss recognised and included in other income and gains	–	(445)	(445)
Reclassified as held for sale	–	(3,000)	(3,000)
At 31 March 2015	150,355	–	150,355
CARRYING AMOUNTS			
At 31 March 2015	–	–	–
At 31 March 2014	–	6,555	6,555

Notes:

(a) InsureLink System

- (i) In the year ended 31 March 2013, the directors conducted a review of the remaining useful life of the InsureLink System and, considered it appropriate to revise the remaining useful life from approximately 7 years to 5 years. The revised useful life of the InsureLink System has been adopted for that year on a prospective basis.
- (ii) Having conducted an evaluation of commercial viability of the InsureLink System under the prevailing circumstances, the directors are of the view that the InsureLink System is unable to generate any significant economic benefits to the Group in the current and future years. Accordingly, this intangible asset has been fully impaired after impairment loss amounted to HK\$25,000,000 recognised in the profit or loss in prior year.

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For the year ended 31 March 2015

21. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) Technical know-how

- (i) The carrying amount of the technical know-how at 31 March 2014 represents the cost less amortisation of the internet electronic air-ticket and payment system acquired from a company related to a former director of the Company for a consideration of HK\$10,000,000 during the year ended 31 March 2013. Subsequent to the end of the reporting period, on 20 April 2015, the Group entered into an agreement with a third party for the disposal of this technical know-how for a consideration of HK\$7,000,000 as detailed in Note 49(b). An impairment loss of HK\$1,945,000 (2013: Nil) has been recognised on this intangible asset in profit or loss in respect of the year which is determined based on the present value of the sale proceeds estimated to be approximately HK\$6,555,000 at the date of its disposal by applying the discount rate of 12% per annum.
- (ii) The technical know-how is amortised on a straight line basis over its estimated useful life of 10 years. The carrying amount of the technical know-how at 31 March 2014 is amortised over its remaining useful life of approximately 8 years.
- (iii) As disclosed in Note 32, the technical know-how has been classified as assets held for sale.

22 INTERESTS IN AN ASSOCIATE

	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at cost	18,009	18,009
Share of post-acquisition profit	48	147
	18,057	18,156
Movements during the year are as follows:		
At the beginning of year	18,156	18,105
Share of (loss)/profit for the year	(99)	51
At the end of year	18,057	18,156

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22 INTERESTS IN AN ASSOCIATE (Continued)

As at 31 March 2015, the Group had interests in the following associate:

Name of entity	Form of entity	Country of registration and operations	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
				2015	2014	2015	2014	
東大保險代理股份有限公司	Limited Liability	PRC	Registered capital	24.9%	24.9%	24.9%	24.9%	Provision of insurance agency services

Included in the cost of investments in associates is goodwill of HK\$14,912,000 (2014: HK\$14,957,000) arising on acquisition of an associate.

The summarised financial information in respect of the Group's associate is set out below:

	2015 HK\$'000	2014 HK\$'000
Current assets	7,437	5,622
Non-current assets	7,316	7,394
Current liabilities	(2,121)	(168)
Net assets	12,632	12,848
Group's share of net assets of an associate	3,145	3,199
Revenue	19,150	9,598
Total (loss)/profit for the year	(396)	205
Group's share of (loss)/profit of an associate	(99)	51
Group's share of other comprehensive income of an associate	–	–

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23. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Unlisted equity securities, at cost	27,317	27,317
Less: Impairment loss recognised	(22,453)	(22,453)
	4,864	4,864
Movements during the year:		
Balance at beginning of the year	4,864	4,864
Acquisition of equity investment (Note b)	–	102,507
Impairment losses recognised and included in other losses and expenses	–	(102,507)
Balance at end of the year	4,864	4,864

Notes:

- (a) The unlisted equity securities at 31 March 2015 represent the Group's 1.6% (2014: 1.6%) and 100% (2014: 100%) equity interests in 全網通科技股份有限公司 (I.P. Tone Technology Company Limited ("IP Tone")), and Tirack Holdings Corporation ("Tirack") respectively, IP Tone was incorporated in Taiwan with limited liability engaging principally in internet telecommunication services in Taiwan. Tirack was incorporated in the Republic of Vanuatu and, together with its subsidiaries, are inactive.
- (b) During the year ended 31 March 2014, the Group completed the acquisition of 100% equity interest in Tirack. The consideration of HK\$110,000,000 was satisfied by the payment in cash of HK\$25,000,000 made by the Company and the convertible bonds with the principal amount HK\$85,000,000 issued by the Company. The fair value of the investment in Tirack upon its initial recognition was estimated to be HK\$102,507,000, comprising the cash paid of HK\$25,000,000 and the fair value of the convertible bonds of HK\$77,507,000 at the date of issue.

As referred to in Note 5(a), the directors are of the view that the Group cannot control or exercise significant influence over Tirack. The investment in Tirack is classified as available-for-sale investment which is stated at cost less any identified impairment loss.

- (c) Following the completion of the Group's acquisition of the entire equity interest in Tirack, the Group is unable to provide financial support, as originally planned, to enable Tirack and its subsidiary ("Tirack Group") to carry out their principal operations of sale of air tickets, hotel reservations and travel products online in the PRC and the Tirack Group ceased its principal operations and becomes inactive. Impairment loss amounted to HK\$102,507,000 on the cost of investment in Tirack has been recognised in respect of the profit or loss for the year ended 31 March 2014. On 20 April 2015, a third party has given an offer to the Group to acquire the entire equity interest in Tirack for a consideration of HK\$100,000 as referred to in Note 49(b).

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For the year ended 31 March 2015

24. DISPOSAL RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Proceeds receivable from disposal of:		
– a subsidiary (Note a)	15,058	15,388
– available-for-sale investment (Note b)	–	–
	15,058	15,388
Less: amount receivable within one year and included in current assets	(15,058)	(1,425)
Amount shown under non-current assets	–	13,963
Movements in impairment loss recognised:		
	2015 HK\$'000	2014 HK\$'000
Balance at beginning of the year	27,947	26,600
Impairment loss recognised in respect of proceeds receivable from disposal of – a subsidiary	–	1,347
Balance at end of the year	27,947	27,947

Notes:

- (a) As referred to in Note 41(b), the Group completed the disposal of its 51% equity interest in a subsidiary, 上海景福保險經紀有限公司(「上海景福」) during the year ended 31 March 2014. During the year, on 3 July 2014, the Company and the purchaser reached an agreement for the revision of terms of settlement of the outstanding disposal consideration, under which the outstanding consideration of RMB15,000,000 will be paid by the purchaser to the Company in five equal instalments of RMB3,000,000, each of which falls due on 31 December 2014, 28 February 2015, 31 March 2015, 31 May 2015 and 30 June 2015 respectively. The proceeds receivable of HK\$16,735,000 represents the present value of the disposal receivable totalled RMB15,000,000 by applying the discount rate of 12% per annum and based on the terms of settlement and an impairment loss of HK\$4,266,000 has been recognised in prior years.

During the year, on 16 February 2015, the Company entered into a deed of settlement with the purchaser, under which the outstanding receivable is revised from RMB15,000,000 to HK\$17,700,000 and is payable by the purchaser by seven instalments. Impairment loss on the disposal receivable amounted to HK\$1,347,000 has been recognised and was included in other losses and expenses for the year ended 31 March 2014. The impairment loss is determined based on the present value of the receivable estimated to be HK\$15,846,000 at the date of the deed of settlement by applying the discount rate of 12% per annum.

- (b) In August 2012, the trustee in respect of 20% equity interest in 上海萬全 held by the Group disposed of such equity interest to an outside party without the consent given by the Group. In September 2013, the Company entered into an agreement with the trustee in September 2013 for the settlement of the disputes relating to the disposal, under which the trustee has agreed to pay settlement fees at the aggregate of HK\$30,000,000 to the Group by four equal instalments in cash on a quarterly basis commencing from 9 December 2013. The present value of the settlement fees of HK\$26,600,000, which is estimated by applying the discount rate of 12% per annum, has been recognised as the receivable arising from the disposal. During the year ended 31 March 2014, the settlement fees to the extent of HK\$3,000,000 were received by the Group with the remaining balance of HK\$27,000,000 overdue. Impairment loss has been recognised in full in respect of the unsettled disposal receivable with the carrying amount of HK\$23,600,000 in prior year.

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For the year ended 31 March 2015

25. DEPOSIT PAID FOR ACQUISITION OF INVESTMENT

	2015 HK\$'000	2014 HK\$'000
Deposit paid for possible acquisition of not more than 20% equity interest in Gold Depot Limited ("Gold Depot")	22,041	20,126
Less: amount receivable within one year and included in current assets	(10,723)	–
	11,318	20,126

The refundable deposit of HK\$25,000,000 was paid for the possible acquisition of equity interest in Gold Depot. During the year ended 31 March 2015, negotiations for the acquisition have terminated and the Group has demanded immediate repayment of the deposits paid. On 7 November 2014, the Company entered into a settlement agreement with the relevant contracting party, under which refund of the deposit paid is payable by the contracting party in cash by seven instalments. For the year ended 31 March 2014, impairment loss of HK\$4,874,000 on the deposit paid has been recognised in the profit or loss which is determined based on the present value of refundable deposit estimated to be HK\$18,900,000 at the date of the settlement agreement by applying the discount rate of 12% per annum.

26. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Cost of inventories acquired:	–	15,820
Raw cottons	–	9,250
Printing presses	–	13,149
Software (Note a)	–	–
	–	38,219
Less: Impairment loss recognised	–	(28,749)
	–	9,470

Movements in impairment losses on inventories are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	28,749	22,799
Impairment loss recognised for the year	–	5,950
Amount written off	(28,749)	–
At end of the year	–	28,749

Note:

- (a) The software represents the rights to use certain computer software which were acquired by a subsidiary of the Company for resale purpose during the year ended 31 March 2012. In light of the rapid computer technology development, the directors are of the view that the related computer software acquired has been obsolete and impairment loss on such rights to use computer systems has been fully made in the year ended 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

27. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade and bills receivables	69,230	70,303
Less: Impairment loss recognised	(51,116)	(50,281)
	18,114	20,022
Retention receivables	8,082	6,073
Less: Impairment loss recognised	(950)	(949)
	7,132	5,124
Other receivables	79,659	80,757
Less: Impairment loss recognised	(71,816)	(75,836)
	7,843	4,921
	33,089	30,067

Notes:

(a) Trade and bills receivables

Trade and bills receivables are due for settlement in accordance with the terms of the underlying agreements with the customers. Trade receivables with balances that are more than 9 months overdue are requested for settlement of all outstanding balances before any further credit is granted.

Impairment loss is recognised against trade and bills receivables based on estimated irrecoverable amounts determined by reference to past default experience of customers.

An aged analysis of trade and bills receivables based on dates of invoices, net of impairment loss recognised, is as follows:

	2015 HK\$'000	2014 HK\$'000
0-30 days	2,282	6,074
31-90 days	3,497	3,683
Over 90 days	12,335	10,265
	18,114	20,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

27. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade and bills receivables (Continued)

Movements in impairment loss on trade and bills receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	50,281	44,627
Exchange realignment	38	487
Recognised during the year	2,401	10,745
Reversal during the year	(1,604)	(2,318)
Derecognised on disposal of subsidiaries	–	(3,260)
At end of the year	51,116	50,281

Trade and bills receivables amounted to approximately HK\$51,116,000 at 31 March 2015 (2014: HK\$50,281,000) were individually determined to be impaired and impairment loss on these receivables has been made in full. The Group does not hold any collateral over these balances.

An analysis of trade and bills receivables at 31 March 2015 and 31 March 2014 not impaired is as follows:

	Total HK\$'000	Past due but not impaired			
		Neither past due nor impaired HK\$'000	Not more than 90 days HK\$'000	More than 90 days but less than 1 year HK\$'000	Over 1 year HK\$'000
31 March 2015	18,114	–	5,779	12,335	–
31 March 2014	20,022	1,231	8,526	8,371	1,894

Trade and bills receivables that were neither past due nor impaired relate to a wide range of customers who has no recent history of default. Trade and bills receivables that were past due but not impaired relate 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.

(b) Retention receivables

Retention receivables, net of impairment loss recognised, amounted to approximately HK\$7,132,000 as at 31 March 2015 (2014: HK\$5,124,000) are substantially due for settlement after a period of more than 12 months.

Movements in impairment losses of retention receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	949	931
Exchange realignment	1	18
At end of the year	950	949

Retention receivables amounting to approximately HK\$950,000 at 31 March 2015 (2014: HK\$949,000) were individually impaired and impairment loss on these receivables has been made in full. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

27. TRADE AND OTHER RECEIVABLES (Continued)

(c) Other receivables

	2015 HK\$'000	2014 HK\$'000
Advances to third parties	73,666	77,459
Advances to staff of the Group	5,993	3,298
	79,659	80,757
Less: Impairment loss recognised	(71,816)	(75,836)
	7,843	4,921

The other receivables are unsecured, interest free and repayable on demand.

Movements in impairment loss of other receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	75,836	37,875
Exchange realignment	89	1,057
Recognised during the year (Note 12)	-	39,406
Reversal during the year (Note 10)	(4,109)	(2,389)
Derecognised on disposal of subsidiaries	-	(113)
At end of the year	71,816	75,836

Other receivables amounted to approximately HK\$71,816,000 at 31 March 2015 (2014: HK\$75,836,000) were individually impaired and impairment loss on these receivables has been made in full. The Group does not hold any collateral over these balances.

28. DEPOSITS AND PREPAYMENTS

Included in deposits and prepayments is a refundable deposit amounted to HK\$10,000,000 (2014: HK\$10,000,000) paid to a third party relating to the provision of services by the third party in respect of seeking business opportunity in the PRC.

29. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2015 HK\$'000	2014 HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	174,717	147,943
Less: Progress billings	(170,666)	(158,611)
	4,051	(10,668)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	9,196	10,274
Amounts due to customers for contract work	(5,145)	(20,942)
	4,051	(10,668)

At 31 March 2015, retentions held by customers for contract works, net of impairment loss recognised, amounted to approximately HK\$7,132,000 (2014: HK\$5,124,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in the PRC, at fair value	-	493
Equity securities listed in Hong Kong, at fair value	34,002	-
	34,002	493

The financial assets are held for trading purposes. The fair values of these financial assets are based on quoted market prices.

31. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The Group's bank deposits of approximately HK\$1,457,000 (2014: HK\$288,000) were pledged to banks to secure performance bond issued for the Group (Note 45(a)).

At 31 March 2015, bank balances and cash comprise of cash held by the Group and short-term deposits with an original maturity of three months or less.

Bank balances and pledged bank deposits at 31 March 2015 carry interest at the average interest rates of 0.35% per annum (2014: 0.35% per annum).

At 31 March 2015, the Group's bank balances and cash and pledged bank deposits denominated in RMB amounted to an aggregate of approximately HK\$8,116,000 (2014: HK\$6,671,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

32. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 March 2015, the Group has committed a plan to sell the technical know-how. Negotiations with several interested parties have subsequently taken place. On 20 April 2015, the Group entered into an agreement with a third party for the disposal of the technical know-how for a cash consideration of HK\$7,000,000 (Note 49(b)). Accordingly, the technical know-how has been classified as non-current assets held for sale and separately presented in the consolidated statement of financial position. As the net proceeds of disposal are expected to exceed the net carrying amount of the technical know-how and no impairment loss has been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

33. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables (Note a)	30,700	33,053
Amount due to a former shareholder (Note b)	17,775	17,754
Accrued expenses and other payables	47,996	35,199
	96,471	86,006

Notes:

- (a) An aged analysis of trade payables at the end of the reporting period, based on invoice dates, is as follows:

	2015 HK\$'000	2014 HK\$'000
0-30 days	16,452	15,558
31-90 days	438	336
Over 90 days	13,810	17,159
	30,700	33,053

The average credit period granted by the suppliers of the Group is 30-90 days (2014: 30-90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

- (b) The amount due to an entity, which was a registered shareholder of the Company in prior years, is unsecured, interest free and repayable on demand. During the year ended 31 March 2014, such entity ceased to be the Company's registered shareholder.

34. WARRANTY PROVISION

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	–	–
Utilisation of provision	–	–
Reversal of unused provision	–	–
At end of the year	–	–

The Group provides warranties to its customers on systems development in accordance with the terms and conditions as stipulated in contracts, under which defective works are rectified. The amount of warranty provision is the directors' best estimation of the Group's liability under one to two year warranty granted based on the past experience of the level of defective works.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

35. BANK BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank borrowings due within one year	18,938	17,654

The effective interest rate on the Group's bank borrowings was 7.5% (2014: 7.2%) per annum.

The Group's bank borrowings, which are denominated in RMB, were secured by certain properties owned by an independent third party.

36. PROMISSORY NOTES

On 12 July 2012, the Company issued a promissory note ("PN 1") with an aggregate principal amount of HK\$10,000,000 to Mr. Dai Yuanxin, a director of the Company. The note was interest free and was wholly payable on 11 January 2013, being the date which is 6 months after the date of the issue of the note. The fair value of the PN 1 at the date of issue was estimated to be HK\$9,584,000 based on the effective interest rate of 8.69% per annum.

In January 2013, the Company entered into an agreement with the director for the revision of terms of the PN 1, under which the maturity date of the note has been extended to 11 January 2014 and interest is chargeable on the note at 1% per month. The fair value of the PN 1 at the date of revision of the note terms was estimated to be HK\$10,114,000 based on the effective interest rate of 9.69% per annum.

On 15 January 2015, a deed of settlement was entered into between the Company and the PN 1 holder, under which, the noteholder agreed for the repayment of the PN 1 together with accrued interest amounted to an aggregate of HK\$13,040,000 by five instalments, being HK\$2,000,000, HK\$2,000,000, HK\$3,000,000, HK\$3,000,000 and HK\$3,040,000 which fall due on 30 April 2015, 30 June 2015, 31 August 2015, 31 October 2015 and 31 December 2015 respectively. As the revised note terms was not substantially different to the original term, accordingly, the revision of note term is not accounted for as an extinguishment of liability. The revised effective interest rate is 7.74% per annum.

On 30 March 2015, the Group acquired certain listed equity securities from a third party for a consideration of HK\$32,500,000 which is satisfied by the promissory note with the principal amount of HK\$32,500,000 issued by the Company ("PN 2"). The PN 2 is unsecured, carries interest at 12% per annum and will be mature on 30 September 2015.

The promissory notes remained unsettled at 31 March 2015. Movements of the promissory notes during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	10,000	10,124
Issue of PN 2	32,500	–
Interest charge for the year	1,122	1,138
Interest payable on promissory notes included in trade and other payables	(1,101)	(1,262)
At end of the year	42,521	10,000

On 20 May 2015, the Company and the PN 1 holder mutually agreed for the settlement of the PN 1 together with accrued interests thereon amounted to an aggregate of HK\$13,340,000 by five instalments as detailed in Note 49(e).

On 28 May 2015, the Company and the PN 2 holder mutually agreed to extend the maturity date under the PN 2 for one year from 30 September 2015 to 30 September 2016 as detailed in Note 49(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS OF CONVERTIBLE BONDS

	Convertible bonds		Derivative financial instruments of convertible bonds	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2013 Convertible Bonds	25,729	22,076	9	2

(a) 2013 Convertible Bonds

On 2 April 2013, the Company issued convertible bonds with an aggregate principal amount of HK\$85,000,000 ("2013 Convertible Bonds") for the acquisition of the entire equity interest in Tirack Holdings Corporation ("Tirack"). The 2013 Convertible Bonds are interest free and will be matured on 1 April 2016 ("2013 CB Maturity Date") which is the third anniversary of the date of issue. The 2013 Convertible Bonds entitle the holder thereof to convert the bonds into shares at any time after the date of issue up to the 2013 CB Maturity Date at the conversion price of HK\$0.175 per share ("2013 CB Conversion Option"). The Company is entitled an option to early redeem at any time from 2 April 2013 to the 2013 CB Maturity Date the outstanding 2013 Convertible Bonds at their principal amount ("2013 CB Redemption Option"). Unless previously converted, redeemed and cancelled, the 2013 Convertible Bonds are redeemed at 100% of the outstanding principal amount at the 2013 CB Maturity Date.

During the year ended 31 March 2014, the 2013 Convertible Bonds with the principal amount of HK\$55,000,000 were converted into 314,285,712 ordinary shares of the Company at the conversion price of HK\$0.175 per share. As at 31 March 2014 and 2015, the 2013 Convertible Bonds with the principal amount of HK\$30,000,000 (2014: HK\$30,000,000) remained outstanding.

The 2013 Convertible Bonds contain a debt component and derivative component (including 2013 CB Conversion Option and the 2013 CB Redemption Option). The 2013 CB Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments on the basis that the 2013 Convertible Bonds are denominated in Hong Kong dollar, a foreign currency of the Company.

The fair value of the debt component of the 2013 Convertible Bonds was estimated to be HK\$53,688,000 on the initial recognition date. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 16.55% per annum. The derivative component is measured at fair value at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS OF CONVERTIBLE BONDS (Continued)

(a) 2013 Convertible Bonds (Continued)

The fair value of the 2013 CB Conversion Option and 2013 CB Redemption Option at the date of issue and at 31 March 2015 is calculated using Binomial Option Pricing Model. Major parameters adopted in the calculation of fair value are set out below:

	31 March 2015	31 March 2014	2 April 2013 (date of issue)
Share price	HK\$0.050	HK\$0.017	HK\$0.142
Conversion price	HK\$0.175	HK\$0.175	HK\$0.175
Risk-free rate	0.096%	0.454%	0.223%
Option life	1.007 years	2.006 years	3.001 years
Volatility	52.653%	60.254%	88.589%
Dividend yield	0%	0%	0%

Risk free interest rate was estimated based on the yields of the Hong Kong government bonds and treasury bills.

The volatility of the underlying shares during the life of the options was estimated based on the average historical price of the shares of the comparable companies, excluding outliers, over the expected bond period.

The dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the next two years of the Company.

Movements of the debt component and derivative component of the 2013 Convertible Bonds during the year are as follows:

	Debt component HK\$'000	Derivative component HK\$'000	Total HK\$'000
At 1 April 2013	–	–	–
Issue of the 2013 Convertible Bonds	53,688	23,819	77,507
Imputed interest for the year	4,309	–	4,309
Conversion during the year	(35,921)	(7,140)	(43,061)
Gain on change in fair value for the year	–	(16,677)	(16,677)
At 31 March 2014	22,076	2	22,078
Imputed interest for the year	3,653	–	3,653
Loss on change in fair value for the year	–	7	7
At 31 March 2015	25,729	9	25,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS OF CONVERTIBLE BONDS *(Continued)*

(b) 2012 Convertible Notes

On 3 May 2012, the Company issued Hong Kong dollar denominated convertible notes with principal amount of HK\$15,000,000 ("2012 Convertible Notes") to a third party. The 2012 Convertible Notes, which were unsecured and interest free, were mature on 2 August 2013 ("2012 CN Maturity Date") which is fifteen months from the date of issue of the 2012 Convertible Notes. The 2012 Convertible Notes entitled the holder thereof to convert the notes into shares at any time after the date of issue up to the 2012 CN Maturity Date at the initial conversion price of HK\$0.25 per share ("2012 CN Conversion Option"). The Company was entitled an option to early redeem at any time from 3 May 2012 to the 2012 CN Maturity Date the outstanding 2012 Convertible Notes at their principal amount. Unless previously converted, redeemed and cancelled, the Convertible Notes were redeemed at 100% of the outstanding principal amount on the 2012 CN Maturity Date.

The 2012 Convertible Notes contain a debt component and derivative component (including 2012 CN Conversion Option and redemption option ("2012 CN Redemption Option")). The 2012 CN Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments on the basis that the 2012 Convertible Notes are denominated in Hong Kong dollar, a foreign currency of the Company.

The fair value of the debt component of the 2012 Convertible Notes was estimated to be HK\$12,326,000 on the initial recognition date. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 21.7% per annum. The derivative component is measured at fair value at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

37. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS OF CONVERTIBLE BONDS (Continued)

(b) 2012 Convertible Notes (Continued)

The fair value of the 2012 CN Conversion Option at the date of issue and at 31 March 2013 is calculated using the Black-Scholes Option Pricing Model. Major parameters adopted in the calculation of fair value are set out below:

	3 May 2012 (date of issue)	31 March 2013
Share price	HK\$0.255	HK\$0.148
Conversion price	HK\$0.25	HK\$0.25
Risk-free rate	0.174%	0.065%
Option life	1.25 years	5 months
Volatility	93.943%	53.316%
Dividend yield	0%	0%

Risk free interest rate was estimated based on the yields of the Hong Kong government bonds and treasury bills.

The volatility of the underlying shares during the life of the options was estimated based on the historical price of the Company.

The dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the next two years of the Company.

The fair value of the 2012 CN Redemption Option at date of issue and at 31 March 2013 was insignificant.

The 2012 Convertible Notes, which were not converted into new shares of the Company during the maturity period, remained unsettled and have been reclassified to amount due to noteholder on their maturity date of 2 August 2013.

Movements of the debt component and derivative component of the 2012 Convertible Notes during the year are as follows:

	Debt component HK\$'000	Derivative component HK\$'000	Total HK\$'000
At 1 April 2013	14,287	379	14,666
Imputed interest for the year	713	–	713
Reallocated to amount due to noteholder	(15,000)	–	(15,000)
Gain on change in fair value	–	(379)	(379)
At 31 March 2014	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

38. AMOUNT DUE TO NOTEHOLDER

	2015 HK\$'000	2014 HK\$'000
Unsecured amount due to noteholder	15,000	15,000

On 3 May 2012, the Company issued convertible notes with principal amount of HK\$15,000,000 to a third party. The convertible notes were unsecured and interest free and mature on 2 August 2013.

Following the maturity of the convertible notes on 2 August 2013, the amount due to the noteholder of HK\$15,000,000 under these notes remained unsettled. Such amount is unsecured and carries interest at 5% per annum. Interest payable on the amount due to noteholder amounted to HK\$1,247,000 (2014: HK\$496,000) has been included in trade and other payables.

39. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The average lease term is 5 years. Interest rates on obligations under the finance leases are fixed at respective contract dates ranging from 2.5% to 4.5% per annum. The Group has options to purchase the motor vehicles for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payment		Present value of minimum lease payment	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Amounts payable under finance leases:				
Within one year	-	453	-	439
In more than one year and not more than two years	-	38	-	38
In more than two years and not more than five years	-	-	-	-
	-	491	-	477
Less: Future finance charges	-	(14)	-	N/A
Present value of lease obligations	-	477	-	477
Less: Amounts due for settlement within 12 months			-	(439)
Amounts due for settlement after 12 months			-	38

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

40. SHARE CAPITAL

	Number of shares	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each at 1 April 2013, 31 March 2014 and 31 March 2015	4,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.05 each at 1 April 2013	711,938,145	35,597
Issue of shares upon:		
– conversion of convertible bonds (Note a)	314,285,712	15,714
– share placement (Note b)	57,000,000	2,850
Ordinary shares of HK\$0.05 each at 31 March 2014 and 2015	1,083,223,857	54,161

Notes:

- (a) Portion of 2013 Convertible Bonds with the principal amount of HK\$55,000,000 were converted into new shares of the Company during the year ended 31 March 2014 at the conversion price of HK\$0.175 per share, as follows:

Date of conversion	Principal amount of the convertible bonds converted HK\$'000	Number of ordinary shares issued '000
10 April 2013	25,000	142,857
3 July 2013	10,000	57,143
29 August 2013	20,000	114,286
	55,000	314,286

- (b) On 10 April 2013, the Company allotted and issued 57,000,000 ordinary shares of HK\$0.05 each to certain placees at the subscription price of HK\$0.14 per share for a cash consideration of HK\$7,980,000 (before expenses).
- (c) The ordinary shares issued during the years ended 31 March 2014 rank pari passu with the existing ordinary shares of the Company in all respects.

41. DISPOSAL OF SUBSIDIARIES

Disposal took place during the year ended 31 March 2014

- (a) On 7 January 2014, the Company disposed of 100% equity interest in a subsidiary, Joint Bridge Investments Limited ("Joint Bridge"), to a third party, for a consideration of HK\$7.8. Joint Bridge through its subsidiaries, was engaged in software development and investment holding.

Consideration for the disposal:

	HK\$'000
Consideration receivable	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

41. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal took place during the year ended 31 March 2014 (Continued)

(a) (Continued)

Analysis of assets and liabilities at the date of disposal over which control was lost:

	HK\$'000
Property, plant and equipment	13
Trade and other receivables	793
Deposits and prepayments	167
Bank balances and cash	76
Trade and other payables	(3,912)
Receipts in advance	(420)
Income tax payable	(239)
	<hr/>
Net liabilities disposed of	(3,522)

Gain on disposal of subsidiaries

	HK\$'000
Consideration received	–
Net liabilities disposed of	3,522
	<hr/>
Gain on disposal	3,522

Net cash outflow on disposal of subsidiaries

	HK\$'000
Consideration received in cash	–
Less: Bank balances and cash disposed of	(76)
	<hr/>
	(76)

- (b) In October 2013 the Group completed the disposal of its 51% equity interest in a subsidiary, 上海景福保險經紀有限公司(「上海景福」, formerly known as 青島博達保險經紀有限公司) for a consideration of RMB20,000,000 (equivalent to HK\$25,200,000). 上海景福 was principally engaged in the provision of insurance brokerage services.

Consideration for the disposal:

	HK\$'000
Consideration received in cash	6,300
Consideration receivable	14,200
	<hr/>
	20,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

41. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal took place during the year ended 31 March 2014 (Continued)

(b) (Continued)

Analysis of assets and liabilities at the date of disposal over which control was lost:

	HK\$'000
Assets classified as held for sale	
Intangible assets	19,270
Trade and other receivables	5,496
Less: Impairment loss recognised	(4,266)
	<hr/>
Net assets disposed of	20,500

Gain on disposal of subsidiaries

	HK\$'000
Consideration	20,500
Net assets disposed of	(20,500)
Non-controlling interests	2,693
Cumulative exchange gain in respect of the subsidiary	172
	<hr/>
Gain on disposal	2,865

Net cash inflow on disposal of subsidiaries

	HK\$'000
Consideration received in cash	6,300

No disposal of subsidiaries took place during the year ended 31 March 2015.

42. SHARE-BASED PAYMENT TRANSACTIONS

During the year ended 31 March 2014, the Company's share option scheme was adopted pursuant to a resolution passed on 22 October 2003 (the "Old Scheme") for the primary purpose of providing incentives to selected participants, including directors and eligible employees. Under the Old Scheme, the Board of Directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Old Scheme was expired on 21 October 2013.

During the year ended 31 March 2015, the Company's share option scheme (the "New Scheme") was adopted pursuant to a resolution passed on 12 November 2014 for the primary purpose of providing incentives to selected participants, including directors and eligible employees. Under the New Scheme, the Board of Directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 March 2015, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme was nil (2014: 1,145,000), representing nil (2014: 0.11%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the New and Old Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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For the year ended 31 March 2015

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

A nominal consideration of HK\$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the last day of the ten-year period after grant date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No share options were granted during each of the years ended 31 March 2015 and 31 March 2014.

Movements during the year of share options granted under the Old Scheme are as follows:

Year ended 31 March 2015

	Date of grant	Exercise price HK\$	Exercisable period	Number of share options granted					Outstanding at 31 March 2015
				Outstanding at 1 April 2014	Movements during the year				
					Granted	Exercised	Forfeited	Expired	
Directors and employees	6/7/2010	2.78	6/7/2010-5/7/2015	1,145,000	-	-	(1,145,000)	-	-
Weighted average exercise price				HK\$2.78	-	-	HK\$2.78	-	-

Year ended 31 March 2014

	Date of grant	Exercise price HK\$	Exercisable period	Number of share options granted					Outstanding at 31 March 2014
				Outstanding at 1 April 2013	Movements during the year				
					Granted	Exercised	Forfeited	Expired	
Directors and employees	5/7/2010	2.8	5/7/2010-4/7/2015	-	-	-	-	-	-
	5/7/2010	2.8	5/7/2010-4/7/2015	-	-	-	-	-	-
	6/7/2010	2.78	6/7/2010-5/7/2015	1,145,000	-	-	-	-	1,145,000
	20/10/2010	1	20/10/2010-23/2/2013	-	-	-	-	-	-
				1,145,000	-	-	-	-	1,145,000
Weighted average exercise price				HK\$2.78	-	-	-	-	HK\$2.78

43. DEFERRED TAXATION

Under the EIT Law, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the Post-2008 Earnings amounted to approximately HK\$nil (2014: HK\$1,168,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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For the year ended 31 March 2015

44. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

Commitments under operating leases

The Group as lessee

The Group leased certain of its office premises under operating leases. Leases for properties were negotiated for a term ranging from one to two years and rentals were fixed, with an option to renew the lease. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	429	49
In the second to fifth years inclusive	-	-
	429	49

45. CONTINGENT LIABILITIES

(a) At 31 March 2015, the Group's bank deposits of approximately HK\$1,457,000 (2014: HK\$288,000) were pledged to banks in favour of guarantees of approximately HK\$1,457,000 (2014: HK\$288,000) given by the banks to certain customers on the performance of contracts under systems development. The directors consider that it is not probable that a claim will be made against the Group under any of the above bank guarantees.

(b) On 4 April 2014, the Company was served with a sealed copy of a petition (the "Petition") issued by Metal Winner Limited (the "Petitioner") in Companies (Winding-up) Proceedings No. 83 of 2014 in the High Court of Hong Kong (the "Proceedings") under which the Petitioner (a) claimed that the Company was indebted to the Petitioner in the sum of HK\$5,700,000; and (b) petitioned that the Company be wound up by the Court.

On 30 March 2015, the Petition was dismissed by the High Court of Hong Kong.

(c) On 12 March 2012, a High court Action No.1861 of 2011 was commenced by Joint China Value Investment Fund Limited against the Company regarding a dishonoured cheque amounted to HK\$16,500,000 issued by the Company. The Company has contested the case vigorously. Having sought legal advices, the directors believe that the Company has a strong defence against the allegation and the legal action would not result in a material loss to the Group, accordingly no provision for liabilities in this respect has been made in the consolidated financial statements.

(d) On 19 April 2006, a High court Action No. 858 of 2006 was commenced by Chan Kar Kui, Wong Calvin Ting Chi, Chan Wai Phan, Chan Man Wan and Kwok King Chuen (the "Plaintiffs") against the Company for damages together with interests and costs in relation to specific performance under the agreement entered into between the Plaintiffs and the Company's former director, To Cho Kei, on behalf of the Company, in 2000 to purchase from the Plaintiffs all their shareholdings in Epplication.Net Limited ("Epplication.Net") at a consideration of HK\$6,800,000, being twice of the actual amount that the Plaintiffs expended on Epplication.Net, by way of transfer or allotment of the shares of the Company of the equivalent value, or alternatively. The Company has filed a defence denying the allegation as the Company has no record of any agreement for the purchase of the Plaintiffs' shareholdings in Epplication.Net and the Plaintiffs have not produced any documentary evidence to support their claim. The action has been dormant since the end of 2008. The directors believe that the Company has a strong defence in this action, accordingly, no provision for liabilities has been made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2015 HK\$'000	2014 HK\$'000
Non-current Assets			
Plant and equipment		–	–
Investments in subsidiaries		1	–
Disposal receivables		–	13,963
Deposit paid for acquisition of investment		11,318	20,126
		11,319	34,089
Current Assets			
Amounts due from subsidiaries	(a)	31,590	12
Disposal receivables		15,058	1,425
Deposit paid for acquisition of investment		10,723	–
Deposits and prepayments		10,000	10,128
Bank balances		–	–
		67,371	11,565
Current Liabilities			
Other payables		12,731	11,032
Promissory notes		42,521	10,000
Amount due to noteholder		15,000	15,000
		70,252	36,032
Net Current Liabilities			
		(2,881)	(24,467)
		8,438	9,622
Capital and Reserves			
Share capital		54,161	54,161
Share premium and reserves	(b)	(71,461)	(66,617)
Total Deficit			
		(17,300)	(12,456)
Non-current Liabilities			
Convertible bonds		25,729	22,076
Derivative financial instruments of convertible bonds		9	2
		25,738	22,078
		8,438	9,622

Notes:

(a) Amounts due from subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(b) Share premium and reserves

	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Share option reserve HK\$'000 (Note ii)	Exchange translation reserve HK\$'000	Warrant reserve HK\$'000 (Note iii)	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013	385,477	1,200	1,810	1,684	1,147	(371,490)	19,828
Loss for the year	-	-	-	-	-	(118,817)	(118,817)
Other comprehensive income	-	-	-	284	-	-	284
Total comprehensive income/ (expenses) for the year	-	-	-	284	-	(118,817)	(118,533)
Issue of shares upon							
– placement of shares	5,130	-	-	-	-	-	5,130
– conversion of convertible bonds	27,347	-	-	-	-	-	27,347
Share issue expenses	(389)	-	-	-	-	-	(389)
At 31 March 2014	417,565	1,200	1,810	1,968	1,147	(490,307)	(66,617)
Loss for the year	-	-	-	-	-	(4,862)	(4,862)
Other comprehensive income	-	-	-	18	-	-	18
Total comprehensive income/ (expenses) for the year	-	-	-	18	-	(4,862)	(4,844)
Lapsed of share option	-	-	(1,810)	-	-	1,810	-
At 31 March 2015	417,565	1,200	-	1,986	1,147	(493,359)	(71,461)

Notes:

- (i) Capital reserve
The capital reserve represents waiver of amount due to a shareholder of the Company during the year ended 31 March 2003. As the waived amount was in substance equivalent to a capital contribution to the Company, hence, it was accounted for as capital reserve.
- (ii) Share option reserve
The share option reserve relates to share options granted to employees under the Company's employee share option scheme. Further information about share-based payments to employees is set out in Note 42.
- (iii) Warrant reserve
Warrant reserve represents proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon exercise of the warrants.

On 3 April 2012, the Company issued 57,380,000 units of non-listed warrants at an issue price of HK\$0.02 per unit. Each unit of warrants entitles the holder thereof to subscribe for one ordinary share of the Company at the subscription price of HK\$0.19 per share during the period of three years commencing from the date of issue of the warrants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

47. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31 March 2015 and 2014 which principally affect the results or assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length.

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Class of shares held	Issued share capital/ registered capital	Kind of legal entity	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held		Principal activities
						Directly		Indirectly		2015 %	2014 %	
						2015 %	2014 %	2015 %	2014 %			
Tongfang Electronic Company Limited	British Virgin Islands ("BVI")	BVI	Ordinary shares	US\$65	Limited liability company	100%	100%	-	-	100%	100%	Investment holding
Tongfang Electronic (Hong Kong) Company Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$100,000	Limited liability company	-	-	100%	100%	100%	100%	Investment holding
Beijing Tongfang Electronic Science & Technology Co., Ltd	PRC	PRC	Contributed capital	US\$4,300,000	Wholly owned foreign enterprise	-	-	100%	100%	100%	100%	Research, development and provision of integrated management information system
Trend Brilliant Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$10,000	Limited liability company	100%	100%	-	-	100%	100%	Investment holding
Fullmark Management Limited	BVI	BVI	Ordinary shares	US\$1	Limited liability company	-	-	100%	100%	100%	100%	Investment holding
Fullmark Management Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$1	Limited liability company	-	-	100%	100%	100%	100%	Investment holding
鑫約福(上海)貿易有限公司	PRC	PRC	Contributed capital	US\$4,943,659	Limited liability company	-	-	100%	100%	100%	100%	Software development
High Pacific Limited	BVI	BVI	Ordinary shares	US\$2	Limited liability company	-	-	100%	100%	100%	100%	Investment holding
Sage Choice Inc	Vanuatu	HK	Ordinary shares	US\$100	Limited liability company	100%	-	-	-	100%	-	Investment holding

None of the subsidiaries had any debt securities outstanding at 31 March 2015 and 31 March 2014 or at the time during the years ended on those dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

48. RELATED PARTY TRANSACTIONS

All material transactions and balances with related parties have been disclosed elsewhere in the consolidated financial statements.

The key management personnel of the Group comprises all directors of the Company. Details of their emoluments are disclosed in Note 19. The remuneration of the directors of the Company is determined by the remuneration committee having regard to the performance of the individuals and market trends.

49. EVENTS AFTER THE REPORTING PERIOD

In addition to those disclosed in other notes to the consolidated financial statements, the following events took place subsequent to 31 March 2015:

- (a) On 1 April 2015, all the warrants referred to in Note 46(b)(iii) were fully converted into 57,380,000 new shares of the Company at the subscription price of HK\$0.19 per share, giving rise to a proceed of approximately HK\$10,902,000 (before expense).
- (b) On 20 April 2015, the Group entered into an agreement with a third party for the disposal of the technical know-how for a cash consideration of HK\$7,000,000, a deposit of which amounted to HK\$700,000 was received by the Group. The outstanding cash consideration of HK\$6,300,000 is payable by the third party by six instalments, being HK\$1,000,000, HK\$1,000,000, HK\$1,000,000, HK\$1,000,000, HK\$1,000,000 and HK\$1,300,000 which fall due on 30 June 2015, 30 August 2015, 30 October 2015, 31 December 2015, 28 February 2016 and 31 March 2016 respectively. Up to the date of approval of these consolidated financial statements, HK\$1,700,000 have been received by the Group. Under the agreement, a third party has given an offer to the Group to acquire the entire equity interest in Tirack (Note 23(c)) for a cash consideration of HK\$100,000 within two years from the date of the agreement.
- (c) On 21 April 2015, the Company entered into an agreement with a third party, under which loan facility to the extent of HK\$50,000,000 is granted to the Company for a period of two years from the date of the agreement. The loan carries interest at 1.25% per month and is secured by the floating charge over all the assets of the Company. This loan has not been utilised up to the date of approval of these consolidated financial statements.
- (d) On 28 April 2015, the Group has entered into an agreement with an independent third party for the acquisition of 100% equity interest in Wilco Printing Co., Limited ("Wilco") and the director's loan made to Wilco at a consideration of HK\$1,537,029, subject to adjustment as stipulated in the agreement. Wilco is principally engaged in the provision of printing services and solutions on advertisement, brochure and bound books to customers mainly in Hong Kong. Completion of the acquisition took place on 28 April 2015. As the purchase consideration and the fair value of certain assets and liabilities of Wilco as at the date of acquisition are currently not determined, accordingly, goodwill on this acquisition is yet to be measured.
- (e) On 20 May 2015, the Company and the PN 1 holder entered into an agreement with the noteholder, under which the noteholder agreed for the settlement of the PN 1 together with accrued interests thereon amounted to an aggregate of HK\$13,340,000 by five instalments, being HK\$2,000,000, HK\$2,000,000, HK\$3,000,000, HK\$3,000,000, HK\$3,340,000 which fall due on 31 July 2015, 30 September 2015, 30 November 2015, 31 January 2016 and 31 March 2016 respectively.
- (f) On 28 May 2015, the Company and the PN 2 holder mutually agreed to extend the maturity date under the PN 2 for one year from 30 September 2015 to 30 September 2016.
- (g) On 17 June 2015, the Company proposed to raise not less than approximately HK\$28,520,000 and not more than approximately HK\$40,920,000 before expenses by issuing not less than 570,301,928 ordinary shares with par value HK\$0.05 each of the Company ("Shares") and not more than 818,499,792 Shares at the subscription price of HK\$0.05 per Shares on the basis of one Shares for every two existing Shares ("Open Offers"). These new shares rank pari passu in all respect with existing shares. Details of the Open Offers have been disclosed in the announcement dated on 18 June 2015. The net proceeds to be raised from the Open Offer will amount to not less than approximately HK\$27,520,000 and not more than HK\$39,490,000 which will be used for general working capital of the Group.

FIVE YEAR SUMMARY

	For the year ended 31 March				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	73,210	49,302	51,857	80,902	50,167
Loss before tax	(1,038)	(204,666)	(259,207)	(19,044)	(47,298)
Loss for the year	(460)	(207,019)	(260,531)	(22,852)	(47,550)
Attributable to:					
Owners of the Company	(460)	(207,019)	(260,531)	(22,790)	(47,550)
Non-controlling interests	-	-	-	(62)	-
	(460)	(207,019)	(260,531)	(22,852)	(47,550)
	As at 31st March				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	169,349	139,444	258,742	450,591	352,468
Total liabilities	(216,367)	(185,948)	(145,255)	(128,272)	(115,939)
	(47,018)	(46,504)	113,487	322,319	236,529
(Deficit)/equity attributable to					
owners of the Company	(47,018)	(46,504)	110,794	319,636	236,529
Non-controlling interests	-	-	2,693	2,683	-
	(47,018)	(46,504)	113,487	322,319	236,529