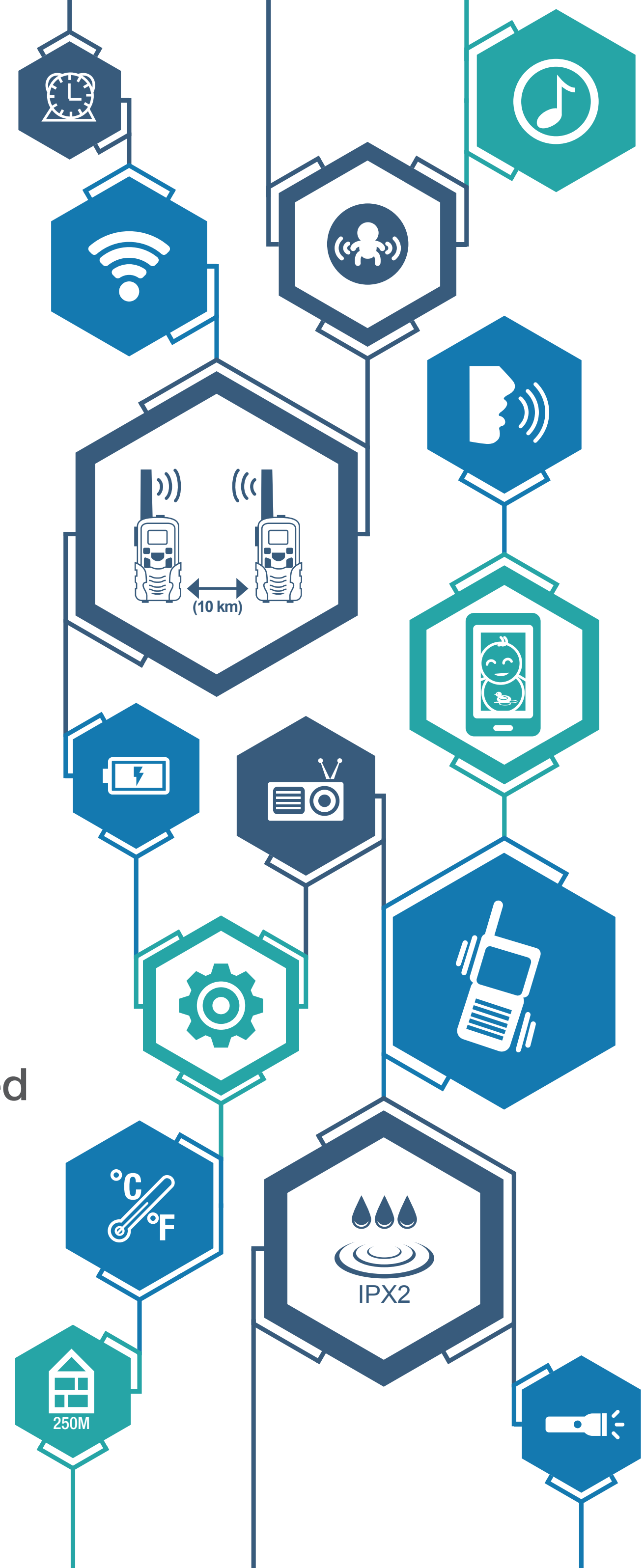
Annual Report 2015/16



Real

On Real International Holdings Limited
安悅國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8245

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

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

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

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*This report, for which the directors (the "**Directors**") of On Real 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**") of the Stock Exchange 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.*

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:
Mr. Tam Wing Ki
(Chairman and Chief Executive Officer)
Mr. Tao Hong Ming
Mr. Hsu Wing Sang (Resigned on 11 March 2016)

Non-executive Director:
Mr. Chau Wai Hung, Andy

Independent Non-executive Directors:
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Mr. Wong Ching Wan (Appointed on 31 March 2016)
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

AUDIT COMMITTEE

Mr. Cheng Yuk Kin *(Chairman)*
Mr. Fan Chun Wah, Andrew
Mr. Wong Ching Wan (Appointed on 31 March 2016)
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

REMUNERATION COMMITTEE

Mr. Wong Ching Wan *(Chairman)*
(Appointed on 31 March 2016)
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Mr. Tao Hong Ming
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

NOMINATION COMMITTEE

Mr. Tam Wing Ki *(Chairman)*
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Mr. Wong Ching Wan (Appointed on 31 March 2016)
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

COMPANY SECRETARY

Mr. Chan Koon Fat (Appointed on 17 June 2016)
Ms. Au Man Wai Annie (Resigned on 17 June 2016)

COMPLIANCE OFFICER

Mr. Tao Hong Ming

AUTHORISED REPRESENTATIVES

Mr. Tao Hong Ming
Mr. Chan Koon Fat (Appointed on 17 June 2016)
Ms. Au Man Wai Annie (Resigned on 17 June 2016)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2401–02, 24/F
Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

COMPLIANCE ADVISER

Lego Corporate Finance Limited
(Appointed on 26 January 2016)
Room 1601, 16/F, China Building
29 Queen's Road Central
Hong Kong

Quam Capital Limited
(Resigned on 26 January 2016)
18/F–19/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Hong Kong

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

STOCK CODE
8245

COMPANY'S WEBSITE
www.on-real.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of Directors (the "**Board**") of On Real International Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**"), I am pleased to present to our shareholders the audited annual report of the Group for the financial year ended 31 March 2016 (hereafter referred as the "**Financial Year**").

OVERVIEW

During the second half of the Financial Year under review, the Group experienced a drop in demand from its key markets due to challenging global economic downturn and a global turbulent political environment that significantly affected the economic sentiments there.

In the United States of America (the "**US**"), a harsh winter, followed by a rapidly slowing economy in the spring, impacted consumer demand. The uncertainty of interest rates hikes by the Fed, and the resulting turbulence in the currency markets added onto the woes.

In Europe, the economic situation had stabilised but growth is still tepid. Political issues such as the refugee crisis, terrorist attacks, Brexit uncertainties do not help improve sentiments for sustained economic growth.

The above macro economic situation resulted in reduced orders from customers, which led to reduction in activities and shipments of the Group.

Hence, the Group took the opportunity presented by the lull in activities to reposition itself to be more competitive going forward.

Firstly, to achieve economies of scale and cost saving for the longer term, we are consolidating our manufacturing sites to a single vertically integrated factory campus at Yunfu. The current production facilities and equipments at our Shenzhen factory will be moved to the Yunfu factory campus. Some short term inefficiencies are expected and extra-ordinary expenses will be incurred. However, we will improve efficiencies from consolidated operations and a lower cost structure there. Additionally, the stability of labour supply at Yunfu is better than at Shenzhen, which will improve our ability to scale the production process during any upturn while managing the quality of outputs.

On another front, we have invested in new product segments and technologies. We entered into the commercial two-way radio market, and launched several new products using the latest digital PMR technologies to a global major customer.

MAJOR CORPORATE EVENTS

The largest customer of the Group (the "**Customer**") decided to change its business model from direct sales into a brand licensing arrangement with a third party licensee. Since October 2015, the Customer had ceased to place orders of the consumer two-way radios to the Group directly. The situation is expected to have material impact on our sales.

PROSPECT

In the coming year, the Group will strengthen itself to be able to withstand the challenging environment even if it is sustained, while investing in new technologies and markets to position itself for future growth when global demands pick up again.

The customers of the Group exploit the market in the People's Republic of China (the "**PRC**"), which is a new market for us. We are excited about this development, as it will allow us to enter into a relatively higher growth market that we had traditionally not been active in.

The Group remains committed to maintaining high standards of corporate governance. All board committees have effectively supported the Board in carrying out their responsibilities. By conducting its business under good corporate governance, the Group's and shareholder's long term interests will be maximised.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all shareholders, investors and business partners for their continuous support to the Group. I would also like to express my appreciation to all fellow Directors, management and staff for their contributions to achieve the major milestones of the Group to date.

Finally, I would like to extend a warm welcome to our independent non-executive director, Mr. Wong Ching Wan, who joined us on 31 March 2016.

Tam Wing Ki
Chairman and Chief Executive Officer

Hong Kong
14 June 2016

OUTLOOK

The economic downturn and financial uncertainty in the US and European markets and the loss of the consumer two-way radios orders from the Customer has negative impact on the financial results for the year ended 31 March 2016.

The new products pipeline of the Group has competitive power, with new models in all three product categories of consumer two-way radios, commercial two-way radios and baby monitors. During the year, we received 16 new project awards from our customers including digital two-way radios, waterproof high-end two-way radios, high-end digital audio baby monitors with better sound quality and features and high-end digital audio baby monitors with non-invasive movement sensing capability.

Our business objectives are to grow our existing business, diversify the revenue streams and expand our customer base by expanding product offerings and features, improving information technology system and widening sales channel. We are also reviewing our business and manufacturing processes and will implement cost saving measures in operation if appropriate.

Below are the progress of the implementation of our objectives and strategies as disclosed in our prospectus (the "**Prospectus**") dated 18 September 2015:

i) Strengthen our product portfolio: we are going to develop new high-end two-way radio and baby monitor products with new features and technologies, such as Internet-of-Things ("**IoT**") connectivity and non-invasive movement sensing. The new waterproof high-end two-way radio has been launched in March 2016. The high-end commercial digital two-way radio and high-end Marine two-way radio will be launched in mid 2016 and late 2016 respectively. A new series of baby monitor products and the new video baby monitor products will be launched in December 2016 and early of 2017 respectively.

ii) Enhance our information management systems: we are in the process of evaluating our information management systems and will start the enhancement program in November 2016.

iii) Strengthen our marketing efforts: we continue to maintain our market presence, expand our sales channels and strengthen the presence in the US and the PRC by introducing our products and services to potential customers. We have started to explore new sales channels to launch new products in North America through participating in a crowd funding activity, in which the first launch of the program will start in July 2017.

To achieve economies of scale and cost saving for the longer term, we are consolidating our manufacturing sites to a single vertically integrated factory campus at Yunfu. The current production facilities and equipments at our Shenzhen factory will be moved to Yunfu factory campus. During the transition period for relocation of certain production facilities and equipments from the factory in Shenzhen to the factory in Yunfu, the production efficiency has been affected and will incur one-off extra-ordinary expenses. However, we will improve efficiencies from consolidated operations and a lower cost structure there.

BUSINESS REVIEW

We are a two-way radio product designer and manufacturer established in 2001. We derive the revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing (the "**ODM**") basis.

The revenue decreased from approximately HK$346.2 million for the year ended 31 March 2015 to approximately HK$261.8 million for the year ended 31 March 2016, representing a decrease of approximately 24.4%. The decrease was mainly due to (i) the economic downturn and financial uncertainty in the US and European markets which had a material impact on sales of the Group's products in such regions; and (ii) the reformulation and change of sales strategy of the Customer.

The revenue of baby monitors increased by approximately 151.5% from approximately HK$7.3 million for the year ended 31 March 2015 to approximately HK$18.5 million for the year ended 31 March 2016. It was mainly due to the increase in demand of our audio baby monitor products as our customers started to launch the products in more retail shops. The revenue of two-way radios decreased by approximately 28.8% from approximately HK$322.6 million for the year ended 31 March 2015 to approximately HK$229.6 million for the year ended 31 March 2016. It was mainly due to the decrease in demand from the Customer for reason mentioned above.

The following table set forth the breakdown of the turnover of the Group by product categories for the years ended 31 March 2016 and 2015:

	For the year ended 31 March					
	2016		2015		Increase/(decrease)	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Two-way radios	**229,614**	**87.7**	322,619	93.2	(93,005)	(28.8)
Baby monitors	**18,477**	**7.1**	7,346	2.1	11,131	151.5
Servicing business	**2,093**	**0.8**	1,638	0.5	455	27.8
Other products	**11,660**	**4.4**	14,588	4.2	(2,928)	(20.1)
	261,844	**100.0**	346,191	100.0	(84,347)	(24.4)

Cost of sales and gross profit

The majority of the Group's cost of sales comprised of raw material costs, labour costs and sub-contracting costs. Our cost of sales decreased by approximately 20.1% from approximately HK$285.2 million for the year ended 31 March 2015 to approximately HK$227.8 million for the year ended 31 March 2016. The gross margin decreased from approximately 17.6% for the year ended 31 March 2015 to approximately 13.0% for the year ended 31 March 2016. The decrease in the gross margin was mainly due to (i) the decrease in number of units produced which led to increase in the production cost per unit; (ii) duplicated factory overhead for running 2 factories during the transition period; and (iii) effect of one-off reversal of retirement benefit costs of approximately HK$5.7 million for the year ended 31 March 2015.

Other income

Other income mainly comprised of government grant, gains on disposals of property, plant and equipment and staff quarters rental income. The decrease in other income of approximately HK$3.9 million from approximately HK$4.5 million for the year ended 31 March 2015 to approximately HK$0.6 million for the year ended 31 March 2016 was due to the fact that for the year ended 31 March 2015, the Group incurred one-off gains on disposals of property, plant and equipment and recycle of currency translation differences upon disposal of a subsidiary. Gains on disposals of property, plant and equipment together with recycle of currency translation differences upon disposal of a subsidiary were approximately HK$4.2 million for the year ended 31 March 2015. The same item is only approximately HK$68,000 for the year ended 31 March 2016.

Other gains — net

Other gains comprised of mainly net exchange gains, fair value (losses)/gains on financial asset at fair value through profit or loss and fair value losses on derivative financial instruments — net losses on forward foreign exchange contracts. The marginally decrease in other gains from approximately HK$1.8 million for the year ended 31 March 2015 to approximately HK$1.5 million for the year ended 31 March 2016 was due to the change of fair value on financial asset from gains of approximately HK$2.6 million for the year ended 31 March 2015 to losses of approximately HK$0.2 million for the year ended 31 March 2016 and set off with the decrease of fair value losses on derivative financial instruments from approximately HK$1.9 million for the year ended 31 March 2015 to nil for the year ended 31 March 2016.

Selling and distribution expenses

Selling and distribution expenses increased from approximately HK$3.7 million for the year ended 31 March 2015 to approximately HK$4.6 million for the year ended 31 March 2016, which was mainly due to an one-off new sales and distribution networks' set up fee in North America.

Administrative expenses

Administrative expenses marginally increased from approximately HK$48.1 million for the year ended 31 March 2015 to approximately HK$48.4 million for the year ended 31 March 2016, which was mainly due to the decrease in the listing expense; offset by the increase in directors' fee and professional fees.

Finance income/(costs) — net

The financial costs turned from costs of approximately HK$0.5 million for the year ended 31 March 2015 to income of approximately HK$0.4 million for the year ended 31 March 2016, was mainly due to the interest income charged to customers.

Income tax credit/(expense)

Income tax turned from expense of approximately HK$4.4 million for the year ended 31 March 2015 to credit of approximately HK$1.6 million for the year ended 31 March 2016, was mainly due to loss making in current year and over-provision of income tax in prior years.

(Loss)/profit attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 March 2016 amounted to approximately HK$14.9 million, representing a decrease of approximately 241.9% as compared with profit of approximately HK$10.5 million for the year ended 31 March 2015. It was mainly due to the decrease in revenue, gross profit and other income for reasons mentioned above.

Dividends

The Board do not recommend the payment of a dividend for the year ended 31 March 2016.

Significant investment

There was no specific plan for significant investment as at 31 March 2016.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients and credit review of the Group's loan portfolio. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Charges on group's assets

As at 31 March 2016, the Group did not have any charges on assets (2015: Nil).

Employees and remuneration policies

As at 31 March 2016, the Group had a total of 811 staff (2015: 959). Total staff costs (including Directors' emoluments) were approximately HK$69.0 million for the year ended 31 March 2016 (2015: approximately HK$71.8 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

The emoluments of the Directors are reviewed by the remuneration committee of the Company, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group, the Group's operating results and comparable market statistics.

Liquidity and financial resources

As at 31 March 2016, the Group's cash and cash equivalents amounted to approximately HK$35.1 million, representing an increase of approximately HK$6.7 million as compared to that of approximately HK$28.4 million as at 31 March 2015. The Group had used net proceeds from fund raising activities to finance its operations, repay bank borrowings and pay income tax.

Gearing ratio

The gearing ratio of the Group as at 31 March 2016 is 35.7% (2015: 189.4%). The decrease in gearing ratio was due to strengthening of the Group's capital structure through the fund raised in the IPO of the Company. Gearing ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings. Total capital is calculated as total equity as shown in the consolidated statement of financial position.

Contingent liabilities

As at 31 March 2016, the Group had no material contingent liabilities (2015: Nil).

Capital structure

Details of the movements in the Company's share capital are set out in Note 23 to the consolidated financial statements in this annual report.

Pledge of assets

As at 31 March 2016, certain fixed deposits of approximately HK$2.3 million (2015: approximately HK$5.5 million) and life insurance of approximately HK$14.5 million (2015: approximately HK$14.5 million) were pledged to banks to secure banking facilities granted to the Group.

Capital commitments

Save as disclosed in Note 27 to this annual report, the Group did not have any other significant capital commitments, as at 31 March 2016 (2015: Nil).

Use of proceeds from the listing

As stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group intends to use the proceeds to (i) strengthen our product portfolio; (ii) enhance our information management systems; (iii) strengthen our marketing efforts; and (iv) working capital and other general corporate purposes.

On 31 March 2016, 120,000,000 ordinary shares of the Company were allotted at HK$0.57 per placing share pursuant to the Placing (as defined in the Prospectus). The net proceeds from the Placing received by the Company were approximately HK$30.9 million (after deduction of any related expenses). As at 31 March 2016, the unused proceeds of approximately HK$25.5 million were deposited into licensed banks in Hong Kong. The Company intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

During the year ended 31 March 2016, the net proceeds had been utilised as follows:

	Actual net proceeds allocated	**Amount utilised up to 31 March 2016**	**Balance as at 31 March 2016**
	HK$Million	HK$Million	HK$Million
Strengthen our product portfolio	21.7	2.7	19.0
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	1.7	2.3
Working capital and other general corporate purposes	2.8	1.0	1.8
Total	30.9	5.4	25.5

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Wing Ki (談永基), aged 47, is the founder of our Group, the chairman of our Board and our nomination committee, our chief executive officer and an executive Director. Mr. Tam is one of our controlling shareholders. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group. He is also a director of each subsidiary of our Company except Xinxing Great Success Plastic Limited. Mr. Tam has more than 20 years of experience in the consumer electronic products industry. Before founding our Group, Mr. Tam assumed various positions including a production material control manager of Central Base Enterprises Ltd from April 1991 to May 1998 and the factory manager of Hantong Communication Company Limited from June 1998 to December 2000. Mr. Tam attended the Tsuen Wan Government Secondary Technical School in Hong Kong and completed the Hong Kong Certificate of Education Examination in 1986.

Mr. Tao Hong Ming (陶康明), aged 48, is our chief operating officer, an executive Director and a member of our remuneration committee. He is responsible for the overall operation and new business development of our Group. He joined our Group in February 2014. Mr. Tao has over 20 years of working experience in engineering, sales and marketing, project management and operation in electronics business. His primary working experiences include: a senior management of VTech Holdings Limited (stock code: 303) from 1996 to 2001, a vice president of Perception Digital Limited (a subsidiary of Perception Digital Holdings Limited, stock code: 1822) from June 2001 to March 2007, a director of business line management department of P-Marshall Hong Kong Limited from August 2007 to June 2008, a senior vice president of Perception Digital Limited from June 2008 to January 2013 and an executive director of Perception Digital Holdings Limited from October 2010 to January 2013. Mr. Tao received a bachelor degree in engineering in electronic engineering from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in Hong Kong in November 1990.

NON-EXECUTIVE DIRECTOR

Mr. Chau Wai Hung, Andy (周煒雄) (formerly known as 周偉烘 and 周偉雄), aged 41, is a non-executive Director. Mr. Chau has been a director of Bricks Exchange Limited (formerly known as The One Holdings Limited) since November 2011. He acts as a Director of Easy Million Holdings Limited with effective on 16 June 2016 and the company has not commenced business since 1 July 2013. His primary working experiences include: a senior computer operator of Modern Terminals Limited from November 2009 to June 2011, a technical specialist of E. C. Fix Technology Ltd. from September 2011 to January 2012 and a contract technical specialist and a contract senior system engineer of Peoplebank Hong Kong Limited from May 2012 to July 2013 and July 2013 to July 2014, respectively. Mr. Chau attended the Shek Lei Catholic Secondary School in Hong Kong and completed the Hong Kong Certificate of Education Examination in 1992.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Yuk Kin (鄭煜健), aged 41, is an independent non-executive Director. Mr. Cheng is the chairman of our audit committee and a member of each of our remuneration committee and nomination committee. Mr. Cheng has over 15 years of experience in corporate finance and audit. He has been a director of Ivory Capital Private Limited since July 2011. He is also an independent non-executive director of Changhong Jiahua Holdings Limited (stock code: 8016) since November 2012. Mr. Cheng's other working experiences include: an accountant of Deloitte Touche Tohmatsu from September 1997 to November 1999 and a senior executive and a manager of Deloitte & Touche Corporate Finance Ltd. from May 2002 to March 2004 and April 2004 to January 2005, respectively. Mr. Cheng received a bachelor degree in business administration in finance from The Hong Kong University of Science and Technology in Hong Kong in November 1997 and a master degree in business administration from The George Washington University in the US in January 2002. Mr. Cheng has been licensed by the SFC to engage in type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO since March 2007. He has been a member of the American Institute of Certified Public Accountants in the US since September 1998.

Mr. Fan Chun Wah, Andrew (范駿華), aged 37, is an independent non-executive Director. Mr. Fan is a member of each of our audit committee, remuneration committee and nomination committee. Mr. Fan is a certified public accountant practising under the name of C.W. Fan & Co. Limited. He has also been an independent non-executive director of CIG Yangtze Ports PLC (stock code: 8233) from February 2009 to March 2014, Chuang's China Investments Limited (stock code: 298) since January 2013, Milan Station Holdings Limited (stock code: 1150) from March 2013 to July 2015, LT Commercial Real Estate Limited (stock code: 112) since March 2013, Sinomax Group Limited (stock code: 1418) since March 2014, Fulum Group Holdings Limited (stock code: 1443) since October 2014, Culturecom Holdings Limited (stock code: 00343) since April 2015, Hong Kong Resources Holdings Company Limited (stock code: 2882) since July 2015 and Nameson Holdings Limited (stock code: 1982) since January 2016. Mr. Fan's other primary working experience include a manager of PricewaterhouseCoopers Ltd. from September 1999 to November 2004. Mr. Fan is also a committee member of the tenth and eleventh Chinese People's Political Consultative Conference of the Zhejiang Province, the fourth and fifth Chinese People's Political Consultative Conference of Shenzhen and the chairman of the 23rd council of Hong Kong United Youth Association. Mr. Fan received a bachelor degree in business administration in accounting and finance from The University of Hong Kong in Hong Kong in December 1999 and a bachelor degree in laws from the University of London in the UK in August 2007, completed by long distance study. Mr. Fan has been a member of the Hong Kong Institute of Certified Public Accountants since January 2003.

Mr. Wong Ching Wan (王青雲), aged 49, is a member of the CPA Australia, the Hong Kong Institute of Certified Public Accountants, Chartered Professional Accountant of Canada and a fellow member of The Taxation Institute of Hong Kong. He has obtained a Bachelor of Business and Administration from the Chinese University of Hong Kong in 1989 and a Bachelor of Commerce from The University of Southern Queensland in 1992. Also, he has studied in the Professional Master of Business Administration course offered by the Troy State University, the US. Mr. Wong is an independent non-executive director of Huge China Holdings Limited (stock code: 0428), which shares are listed on main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since May 2015. He is currently the company secretary and authorised representative of China Oil Gangran Energy Group Holdings Limited (stock code: 8132), which shares are listed on main board of the Stock Exchange. He is also a director of Network CN, Inc. (stock code: NWCN), which shares are duly traded on the USA. Mr. Wong has more than 25 years of experience in audit, internal control, financial control and capital market. He has held various positions in different companies in the People's Republic of China, the USA and Hong Kong including senior position in multinational companies.

SENIOR MANAGEMENT

Mr. Chan Koon Fat (陳觀發), age 37, is the chief financial officer of the Group and is responsible for all financial, accounting, investment and corporate finance matters of the Company. He joined our Group in March 2016. Mr. Chan has over 15 years of experience in the areas of capital markets, accounting and finance, investment and corporate management covering a number of industry sectors such as real estate, medical and garment. Prior to joining the Company, Mr. Chan held senior positions including chief financial officer and company secretary of Asia Fashion Holdings Limited and financial controller of Sunray Holdings Limited, in which both companies were listed on Singapore Exchange Limited. Mr. Chan holds a Master of Business Administration (Financial Services) of Hong Kong Polytechnic University and a bachelor degree in accounting of Lingnan University, Hong Kong. He is a fellow and practicing member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Cheung Chung Yuen Wilson (張中元), aged 52, is the financial controller and is primarily responsible for the financial reporting and financial and accounting management of our Group. He joined our Group in November 2014. Prior to joining our Group, Mr. Cheung's primary working experiences include: an auditor of Chu and Chu from July 1985 to May 1988; a senior account clerk and subsequently promoted to officer of Finarts Trading Co., Ltd from July 1988 to April 1992; a financial accountant of Team Concepts (Hong Kong) Limited from April 1992 to February 1993; an accountant of Pan-Win Development Limited from March 1993 to June 1994; an assistant accountant and subsequently promoted to accountant of Star Telecom Limited from June 1994 to November 1996; and an accountant and subsequently promoted to accounting manager of Glorious Sun Enterprises (BVI) Limited from December 1996 to November 2013. Mr. Cheung received a bachelor's degree in business administration from the Heriot-Watt University in the UK in November 2006. He has been a member of the Hong Kong Institute of Certified Public Accountants since October 2004.

Mr. Yu Wai Keung (余偉强), aged 49, is our marketing director and is primarily responsible for sales and marketing operations of our Group. He joined our Group in February 2014. Mr. Yu's primary working experiences include: an electronic engineer of VTech Communications Ltd. from April 1992 to June 1994, a senior marketing executive, an assistant material manager and an assistant marketing manager of Surface Mount Technology Limited from June 1994 to March 1995, April 1996 to March 1997 and April 1997 to August 1997, respectively, an assistant material manager of Kaifa Technology (HK) Ltd. from July 1997 to January 1998, a senior program manager of VTech Communications Ltd. from February 1998 to September 2009 and a senior director of Perception Digital Limited from March 2011 to June 2013. Mr. Yu received a bachelor of engineering in electrical and electronic engineering degree from the Sunderland Polytechnic (now known as the University of Sunderland) in the UK in June 1991 and a master of business administration degree from Hong Kong Baptist University in Hong Kong in November 2005.

Mr. Ho Kwok Ming (何國明), aged 54, is an engineering manager of our Group. He is primarily responsible for product design and coordination with marketing department of our Group. He joined our Group in October 2004. Prior to joining our Group, Mr. Ho's primary working experiences include: a technician, an electronic engineer and an electronic engineer of Kong Wah Communications Ltd. from August 1987 to December 1991, January 1992 to August 1992 and April 1993 to March 1996, respectively, an electronic engineer of Kong Wah Electronic Enterprises Ltd. from April 1996 to November 1996, a technical officer and subsequently promoted to senior technical officer of New World Telephone Ltd. from December 1996 to December 1999 and an electronic engineer of Elite Industrial Holdings Ltd. from January 2000 to July 2003. Mr. Ho received a higher diploma in telecommunications and networking from Hong Kong Institute of Vocational Education in Hong Kong in July 2004.

CORPORATE GOVERNANCE REPORT

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devote considerable effort to maintain high level of business ethics and corporate governance practices.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the Growth Enterprises Market of the Stock Exchange (the "**GEM Listing Rules**") throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 March 2016, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

CORPORATE GOVERNANCE STRUCTURE

The Board is primarily responsible for formulating strategies, monitoring performance and managing risks of the Group. At the same time, it also has the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are 3 board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). All these committees perform their distinct roles in accordance with their respective terms of reference (available on the Company's website) and assist the Board in supervising certain functions of the senior management.

DIRECTORS' SECURITIES TRANSACTIONS

The Group had adopted Rules 5.46 to 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the Directors, all the Directors of the Company had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors' securities transactions during the year ended 31 March 2016.

BOARD OF DIRECTORS

At present, the Board comprises six directors ("**Directors**") as follows:

Executive Directors:
Mr. Tam Wing Ki *(Chairman and Chief Executive Officer)*
Mr. Tao Hong Ming
Mr. Hsu Wing Sang (Resigned on 11 March 2016)

Non-executive Director:
Mr. Chau Wai Hung, Andy

Independent Non-executive Directors:
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Mr. Wong Ching Wan (Appointed on 31 March 2016)
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 12 to 14. There are no family or other material relationships among members of the Board.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to the shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.

Pursuant to Code Provision A.1.1 of the CG Code, the Board is expected to meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals. Only three Board meetings were held during the period from 30 September 2015 (the "**Listing Date**") to 31 March 2016 which is less than one year. No general meetings were held during the year.

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year ended 31 March 2016 is set out in the following table:

Name of Directors	**Board Meetings (attendance/ total no. of meeting held)**	**Audit Committee Meetings (attendance/ total no. of meeting held)**	**Remuneration Committee Meeting (attendance/ total no. of meeting held)**	**Nomination Committee Meeting (attendance/ total no. of meeting held)**	**General Meeting (attendance/ total no. of meeting held)**
Executive Directors					
Mr. Tam Wing Ki	3/3	N/A	N/A	1/1	N/A
Mr. Tao Hong Ming	3/3	N/A	1/1	N/A	N/A
Mr. Hsu Wing Sang (Resigned on 11 March 2016)	2/3	N/A	N/A	N/A	N/A
Non-executive Directors					
Mr. Chau Wai Hung, Andy	3/3	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Cheng Yuk Kin	3/3	2/2	1/1	1/1	N/A
Mr. Fan Chun Wah, Andrew	3/3	2/2	1/1	1/1	N/A
Mr. Wong Ching Wan (Appointed on 31 March 2016)	N/A	N/A	N/A	N/A	N/A
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)	3/3	2/2	1/1	1/1	N/A

Code Provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or audit committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are provided with details of agenda items for decisions making with reasonable notice and welcome to include matters in the agenda of each Board meeting. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are opened for inspection as request by Directors. During the year, the Board was given sufficient time to review and approve the minutes of Board meetings and meetings of Board committees. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company.

If potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting. The Directors attend meetings in persons or through other means of electronic communication in accordance with the Bye-laws of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the Executive Directors and senior management.

All Directors assume the responsibilities owed to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has three Independent Non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the Independent Non-executive Director has made an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the Independence Guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Company's articles of association, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the year ended 31 March 2016 under review, the roles of chairman and chief executive officer of the Company has not been separated. Mr. Tam is currently performing the roles of chairman and chief executive officer of the Company. Taking into account Mr. Tam is the founder of the Group and has been operating and managing the Group since 2001, the Board considers that the roles of chairman and chief executive officer being performed by Mr. Tam enable more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

One of the important roles of the chairman is to provide leadership for the Board to ensure that the Board always acts in the best interest of the Group. The chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established and the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. The chairman has taken into account, where appropriate, any matters proposed by the Directors for inclusion in the agenda. The chairman has delegated the responsibility of drawing up the agenda for each Board meeting to the Company Secretary. With the support of the Company Secretary, the chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

APPOINTMENT, RE-ELECTION AND REMOVAL

During the year, the Directors provided the Company and its subsidiaries with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company. Under Code Provision A.4.1 of the CG Code, each of the Non-Executive Directors and Independent Non-executive Directors ("**INED**") has entered into a service contract with the Company for three years but subject to termination in certain circumstance as stimulated in the relevant service contracts. At each annual general meeting, one third of the Directors for the time being (of if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be eligible for re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties and has adopted written terms of reference on its corporate governance functions.

The duties of the Board in respect of the corporate governance functions include:

(i) developing and reviewing the Company's policies and practices on corporate governance;

(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 on compliance with legal and regulatory requirements;

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

(v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Since the Listing Date and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board has to review the policy concerning diversity of Board members and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

AUDIT COMMITTEE

The Company has established an audit committee on 16 September 2015 with written terms of reference that set out the authorities and duties of the Audit Committee. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange. The Audit Committee performs, amongst others, the following functions:

- To review the financial information of the Group.
- To review the relationship with and terms of appointment of the external auditor.
- To review the effectiveness and adequacy of the Company's financial reporting system, internal control system and risk management system.

During the year, the Audit Committee held 2 meetings. The Audit Committee oversaw the internal control system of the Group, reviewed the consolidated financial statements of the Group for the year ended 31 March 2016, quarterly and half yearly results, the accounting principles and practices adopted by the Group, selection and appointment of the external auditor, reports to the Board on any material issues, and made recommendations to the Board. There had been no disagreement between the Board and the Audit Committee during the financial year ended 31 March 2016.

As at 31 March 2016, the Audit Committee comprises three members namely:

Mr. Cheng Yuk Kin *(Chairman)*
Mr. Fan Chun Wah, Andrew
Mr. Wong Ching Wan (Appointed on 31 March 2016)
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

All the members are Independent Non-executive Directors (including two Independent Non-executive Directors who possess the appropriate professional qualifications, accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

REMUNERATION COMMITTEE

A remuneration committee was set up on 16 September 2015, with written terms of reference in compliance with the code provisions of the CG Code, which have been reviewed from time to time by the Board to keep them in line with the most up-to-date requirements to oversee the remuneration policy and structure for all Directors and senior management. The most up-to-date written terms of reference of the Remuneration Committee are available on the Company's website and on the website of the Stock Exchange.

The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and the senior management and determining the remuneration packages of all Executive Directors and senior management. The Remuneration Committee is also responsible to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee considers 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. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2016.

The Remuneration Committee held 1 meeting during the year. The members reviewed the remuneration package of Directors and the senior management of the Company.

As at 31 March 2016, the Remuneration Committee comprises four members namely:

Mr. Wong Ching Wan *(Chairman)* (Appointed on 31 March 2016)
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Mr. Tao Hong Ming
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

Majority of the members are Independent Non-executive Directors.

In addition, pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 March 2016 is set out below:

	2016
Nil to HK$1,000,000	2

NOMINATION COMMITTEE

The Company has established a nomination committee on 16 September 2015 for making recommendations to the Board on appointment of Directors and succession planning for the directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, reviewing and recommending for the Board's approval of the proposed resolution for re-election of the retiring Directors at 2016 AGM, reviewing the structure, size, composition and diversity of the Board and assessing the independence of each INED.

In accordance with the Company's Articles of Association, Mr. Tam Wing Ki, Mr. Cheng Yuk Kin and Mr. Wong Ching Wan shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee will meet as and when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. The Nomination Committee held 1 meeting during the year. The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

As at 31 March 2016, the Nomination Committee comprises four members namely:

Mr. Tam Wing Ki *(Chairman)*
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Mr. Wong Ching Wan (Appointed on 31 March 2016)
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

Majority of the members are Independent Non-executive Directors.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial year which gives a true and fair view. In preparing the consolidated financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable and have ensured that the consolidated financial statements are prepared on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2015 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

To control risks in relation to sanctions laws under the US, the European Union and Australia, the Company endeavours to continuously monitor and evaluate the business and take measures to protect the interest of the Group and shareholders. In particular, the Company have adopted the policies as stated in the section headed "Risk Factors" in the Prospectus:

On 16 September 2015, the Company entered into the Deed of Non-competition with each of the controlling shareholders of the Company. INED will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertaking by the controlling shareholders.

During the year under review, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. External independent internal control consulting company was engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment which was made by discussions with the management of the Company and its external auditor. The Board believes that the existing internal control system is adequate and effective.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

PricewaterhouseCoopers was appointed as the external auditor since the Listing of the Company on the GEM Board of the Stock Exchange. The statement of PricewaterhouseCoopers in respect of its reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 March 2016 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The fees paid/payable to PricewaterhouseCoopers for the year ended 31 March 2016 are set out as follows:

	Fee paid/ payable HK$'000
Audit services	1,100
Non-audit services	338
Total	1,438

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed and facilitating communications among Directors as well as with shareholders and management.

During the year, the Company Secretary is Ms. Au Man Wai Annie ("**Ms. Au**") pursuant to our engagement of an external company secretarial services company, GC Corporate Services Company Limited, to provide company secretarial services to the Company and report to the chief financial officer directly.

For the year ended 31 March 2016, Ms. Au undertook no less than 15 hours of relevant professional training to update her skill and knowledge.

On 17 June 2016, Ms. Au resigned as the Company Secretary and Mr. Chan Koon Fat, the chief financial officer of the Company, has appointed as the Company Secretary.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its quarterly, interim and annual reports. The corporate website of the Company (www.on-real.com) has provided an effective communication platform to the public and the shareholders.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to the Directors. Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials. All Directors had provided the Company their training records for the year under review and the Company will continue to arrange the training in accordance with Code Provision A.6.5 of the CG Code. The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. The annual general meeting and other general meetings of the Company are primary forums for communication between the Company and its shareholders. The Company provides shareholders with relevant information on the resolution(s) proposed at general meetings in a timely manner in accordance with the GEM Listing Rules. The information provided is reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the meetings.

CONSTITUTIONAL DOCUMENTS

The Company has no significant changes in the Company's constitutional documents during the year. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles of Association of the Company which provides that extraordinary general meetings should be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene an extraordinary general meeting within 21 days of the deposit of the requisition, the requisitionist(s) may convene an extraordinary general meeting himself/themselves, 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.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in Article 85 of the Company's Articles of Association. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal place of business in Hong Kong or at the Hong Kong Branch Share Registrar. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of company secretary, by email: enquiry@on-real.com, or by post to Room 2401–02, 24/F., Jubilee Centre, 46 Gloucester Road, Wanchai, Hong Kong.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the GEM Listing Rules and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

ENVIRONMENTAL PROTECTION

The Group has implemented environmental friendly culture and committed to encourage environmental friendly policy. The Group may produce certain emissions and disposal of waste materials during the production process. The Group believed that the increase of the efficiency and effectiveness of manufacturing process by using optimum level of materials and process would significantly reduce the raw materials waste and use of energy. The Group has complied with the Environmental Protection Law of the PRC and the guidelines for the environmental requirement of local government. The environmental friendly culture and policy aim to minimise the adverse impact of the Group's activities to the environment and the natural resources.

STAFF

The Group believed that one of the key successful factors of the Group's business results from the fair employment policy which has helped to retain key management of the Group. The Group has established employment and labour practices policies to ensure the compliance with all relevant ethical and regulatory standards. Furthermore, the Group has emphasised on the equal opportunity and provided career development opportunity to all employees.

HEALTH AND SAFETY

The Group has put the health and safety of the employees as the priority of productions and every workers who operate factory plants are required to train for how to use the equipment or plant safely. The safety guide and reminders have been placed in an observable areas in the manufacturing based.

DEVELOPMENT AND TRAINING

The Group has placed strong emphasis on staff training. All staff is required to attend a training section before starting their work in the manufacturing base and a tour will also be given to them for the urgent exit path and process. The Group would also arrange regular training to update the knowledge and change of the operating procedures when new products are being introduced.

The Group also encourages the senior management and Directors to attend external professional training and provides them leave allowance for training.

SUPPLY CHAIN MANAGEMENT

The Group has maintained restrict control over the quality offered by the suppliers or vendors. Thus the Group would evaluate the performance of the major suppliers or vendors of the Group in terms of quality, cost, delivery time and after-sales services. The Group also tended to maintain long term relationship with its suppliers for ensuring stable supply of materials for production.

PRODUCT RESPONSIBILITY

The Group has put the products and services quality as its first priority as the performance of the products would affect (i) the long-term relationship with customers, (ii) the reputation and success of the business; and (iii) the potential damage for consumers' claim. Due to significant risk related to the products and services of the Group, the Group has introduced ISO 9001:2008 system since 2004 to ensure the product quality.

ANTI-CORRUPTION

The Group has policy to comply with Guideline on Anti-money Laundering and Counter-Terrorist Financing. If any suspicious transactions identified by the Group, the responsible officer of the Group would notify and report to the relevant governing body.

COMMUNITY INVOLVEMENT

The Group will make certain contribution to local universities to support the innovation of new technology.

The Board has the pleasure in presenting the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 14 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated financial statements on pages 34 to 95 of this annual report.

The Board do not recommend payment of a dividend in respect of the year ended 31 March 2016.

SHARE ISSUED IN THE YEAR

The net proceeds received by the Company from the placing of 120,000,000 Ordinary Shares at a price of HK$0.57 each on the Listing Date.

The Group raised fund of net proceeds of approximately HK$30.9 million from the placing. Up to 31 March 2016, (i) approximately HK$2.7 million of the net proceeds was paid for engaging external technology companies to develop IoT connectivity in order to strengthen our product portfolio; (ii) net proceeds for enhancing our information management systems are still not yet used for reason that the enhancement program had been postponed to November 2016; (iii) approximately HK$1.7 million of the net proceeds was spent on strengthening our marketing efforts by exploring new sales channels in North America; and (iv) approximately HK$1.0 million was spent on working capital and other general corporate purposes. As at 31 March 2016, the unutilised net proceeds were placed as bank deposits with licensed banks in Hong Kong.

Details of the shares issued in the year ended 31 March 2016 are set out in Note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2016, calculated under Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately HK$72,062,000 (2015: approximately HK$22,126,000).

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three years is set out on page 96 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Scheme**") was adopted pursuant to a resolution passed by the Company's shareholders on 16 September 2015 for the primary purpose is to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives, Non-executive Directors (including Independent Non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further share options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarised in the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus. No share options have been granted under the Scheme since its adoption.

DIRECTORS

The directors of the Company (the "**Director(s)**") during the year and up to the date of this report were:

Executive Directors:
Mr. Tam Wing Ki *(Chairman and Chief Executive Officer)*
Mr. Tao Hong Ming
Mr. Hsu Wing Sang (Resigned on 11 March 2016)

Non-executive Director:
Mr. Chau Wai Hung, Andy

Independent Non-executive Directors:
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Mr. Wong Ching Wan (Appointed on 31 March 2016)
Ms. Reina Lim Yan Xin (Resigned on 31 March 2016)

In accordance with Article 84 of the Company's Articles of Association, Mr. Tam Wing Ki, Mr. Tao Hong Ming, Mr. Chau Wai Hung, Andy, Mr. Cheung Yuk Kin, Mr. Fan Chun Wah, Andrew and Mr. Wong Ching Wan retire by rotation at the forthcoming Annual General Meeting but, being eligible, offer themselves for re-election.

Mr. Hsu Wing Sang resigned on 11 March 2016 as Executive Director of the Company. Ms. Reina Lim Yan Xin resigned on 31 March 2016 as Independent Non-executive Director of the Company. Mr. Hsu Wing Sang and Ms. Reina Lim Yan Xin have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

Mr. Cheng Yuk Kiu and Mr. Fan Chun Wah, Andrew are Independent Non-executive Directors and were appointed for a three-year term expiring on 15 September 2018. Mr. Wong Ching Wan was appointed as Independent Non-executive Director on 31 March 2016 for a three-year term expiring on 30 March 2019.

DIRECTORS' SERVICE CONTRACTS

Mr. Tam Wing Ki, Mr. Tao Hong Ming, Mr. Chau Wai Hung, Andy, Mr. Cheng Yuk Kin and Mr. Fan Chun Wah, Andrew have a service contract with the Company with remaining unexpired period of 3 years which is not determinable within one year without payment of compensation. As the contract was signed on 16 September 2015 in accordance with the GEM Listing Rules, no shareholders' approval is required.

Mr. Wong Ching Wan has a service contract with the Company with remaining unexpired period of 3 years which is not determinable within one year without payment of compensation. As the contract was signed on 31 March 2016 in accordance with the GEM Listing Rules, no shareholders' approval is required.

BIOGRAPHICAL DETAILS OF DIRECTORS' AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 12 to 14 of the annual report.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 31 March 2016, Mr. Tam Wing Ki, the Director, had the following interests in the shares and underlying shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") as recorded in the register required to be kept under section 352 of the SFO:

Name of Directors	Name of Companies	Capacity	Number of shares and underlying shares	Percentage of shareholding
Mr. Tam Wing Ki *(Note 1)*	The Company	Beneficial owner	179,460,000	37.39%
Mr. Hsu Wing Sang *(Note 1)*	The Company	Beneficial owner	79,740,000	16.61%

Note:

1. All interests stated above represent long positions.

During the year ended 31 March 2016, there were no debt securities issued by the Group at any time. Save as disclosed herein, as at 31 March 2016, none of the Directors or chief executive of the Company or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

At 31 March 2016, so far as known to the Directors, the following shareholders had, or were deemed to have, interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Mr. Tam Wing Ki *(Note 1)*	Beneficial owner	179,460,000	37.39%
Ms. Tang Yin Ping *(Note 1)*	Interest of her child under 18 or spouse/interest of a substantial shareholder's child under 18 or spouse	179,460,000	37.39%
Mr. Hsu Wing Sang *(Note 2)*	Beneficial owner	79,740,000	16.61%
Ms. Chan Nga Fun *(Note 2)*	Interest of her child under 18 or spouse/interest of a substantial shareholder's child under 18 or spouse	79,740,000	16.61%
Solution Smart Holdings Limited *(Note 3)*	Beneficial owner	74,412,000	15.5%
SW Venture Asia Limited *(Note 4)*	Interest in a controlled corporation	74,412,000	15.5%
Mr. Yeung Shing Wai *(Note 4)*	Interest in a controlled corporation	74,412,000	15.5%
HF Pre-IPO Fund	Beneficial owner	26,350,000	5.48%
Huge China Holdings Limited	Beneficial owner	26,350,000	5.48%

Notes:

1. Ms. Tang Yin Ping, spouse of Mr. Tam Wing Ki, who is the Executive Director and Chief Executive Officer of the Company, was deemed to be interested in 179,460,000 shares in which Mr. Tam Wing Ki is interested in for the purpose of the SFO.

2. Ms. Chan Nga Fan, spouse of Mr. Hsu Wing Sang, who is a former director of the Company, was deemed to be interested in 79,740,000 shares in which Mr. Hsu Wing Sang is interested in for the purpose of the SFO.

3. Solution Smart Holdings Limited is an investment holding company which is wholly and beneficially owned by SW Venture Asia Limited.

4. Mr. Yeung Shing Wai is the beneficial owner of SW Venture Asia Limited, which directly held 74,412,000 shares of the Company, and has therefore deemed to have an interest in the shares held by Solution Smart Holdings Limited.

5. All interests stated above represent long positions.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

	Percentage of the Group's total purchases
The largest supplier	8.0%
Five largest suppliers in aggregate	29.5%

	Percentage of the Group's total sales
The largest customer	26.6%
Five largest customers in aggregate	68.9%

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Board has pleased to present the first Environmental, Social and Governance ("**ESG**") report for the year ended 31 March 2016. This report has been prepared with reference to ESG Reporting Guide issued by the Stock Exchange.

CONNECTED TRANSACTIONS

A summary of the related transactions entered into by the Group during the year ended 31 March 2016 is contained in Note 28 to the consolidated financial statements. Certain related party transactions also constituted continuing connected transactions, but are exempted from the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING BUSINESS

During the year and up to the date of this report, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

COMPLIANCE ADVISER'S INTERESTS

As disclosed in the announcement of the Company dated 26 January 2016, the Company and Quam Capital Limited have mutually agreed to terminate the compliance adviser's agreement entered into between the Company and Quam Capital Limited (the "**Termination**"), with effect from 26 January 2016 due to the changes in personnel of Quam Capital Limited. The Board confirms that, as at the date of this report, there are no other matters relating to the Termination that need to be drawn to the attention of the shareholders and the Stock Exchange. The Board further announces that Lego Corporate Finance Limited has been appointed as the new compliance adviser to the Company as required under Rule 6A.27 of the GEM Listing Rules with effect from 26 January 2016 until the date, pursuant to Rule 6A.19 of the GEM Listing Rules, on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results of the Company for the second full financial year commencing after the date of initial listing of the Company, or until the compliance adviser agreement entered into between the Company and Lego Corporate Finance Limited is terminated in accordance with its terms, whichever is earlier.

As confirmed by Lego Corporate Finance Limited, except for the compliance adviser agreement entered into between the Company and Lego Corporate Finance Limited, none of Lego Corporate Finance Limited or its directors, employees and associates is materially interested in any contract or arrangement or had any interest in the securities of the Company for the period from 26 January 2016 to 31 March 2016, which is significant in relation to the business of the Group.

As confirmed by Quam Capital Limited, except for the compliance adviser agreement and the supplemental sponsorship service agreement entered into between the Company and Quam Capital Limited, none of Quam Capital Limited or its directors, employees and associates is materially interested in any contract or arrangement or had any interest in the securities of the Company for the period from 1 April 2015 to 26 January 2016, which is significant in relation to the business of the Group.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association 164(1) provides that every Director, Secretary and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against any actions, cost, charges, losses, damages and expenses, as a result of any act done, concurred in or omitted in or about the execution of their duty. The Company has also maintained the Directors and officers liability insurance during the year.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers and a resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Tam Wing Ki
Chairman and Executive Director

14 June 2016

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF ON REAL INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of On Real International Holdings Limited (the "Company") and its subsidiaries set out on pages 34 to 95, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**261,844**	346,191
Cost of sales	8	**(227,807)**	(285,165)
Gross profit		**34,037**	61,026
Other income	6	**571**	4,454
Other gains — net	7	**1,520**	1,775
Selling and distribution expenses	8	**(4,569)**	(3,710)
Administrative expenses	8	**(48,444)**	(48,079)
Operating (loss)/profit		**(16,885)**	15,466
Finance income	10	**1,662**	604
Finance costs	10	**(1,239)**	(1,152)
Finance income/(costs) — net	10	**423**	(548)
(Loss)/profit before income tax		**(16,462)**	14,918
Income tax credit/(expense)	11	**1,612**	(4,382)
(Loss)/profit for the year attributable to owners of the Company		**(14,850)**	10,536
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Currency translation differences		**492**	(413)
Recycle of currency translation differences upon disposal of a subsidiary		**—**	(1,552)
Total comprehensive (loss)/income for the year attributable to owners of the Company, net of tax		**(14,358)**	8,571
(Loss)/earnings per share attributable to owners of the Company for the year			
— Basic and diluted (expressed in HK cents per share)	12	**(3.53)**	3.50
Dividends	13	**—**	52,007

The notes on pages 40 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**8,992**	9,068
Intangible assets	16	**6,758**	8,403
Financial asset at fair value through profit or loss	17	**14,513**	14,458
Prepayments	21	**2,864**	3,000
Deferred income tax assets	18	**2,275**	635
Total non-current assets		**35,402**	35,564
Current assets			
Inventories	19	**33,712**	28,558
Trade and other receivables	21	**42,443**	52,873
Tax recoverable		**4,048**	—
Restricted cash	22	**2,251**	5,510
Cash and cash equivalents	22	**35,050**	28,373
Total current assets		**117,504**	115,314
Total assets		**152,906**	150,878
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**4,800**	—
Other reserves		**77,599**	22,829
(Accumulated losses)/retained earnings		**(12,355)**	3,431
Total equity		**70,044**	26,260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	**2016 HK$'000**	2015 HK$'000
LIABILITIES			
Non-current liability			
Borrowings	24	**–**	32
Total non-current liability		**–**	32
Current liabilities			
Trade and other payables	25	**57,517**	67,256
Borrowings	24	**24,983**	49,697
Current income tax liabilities		**362**	7,633
Total current liabilities		**82,862**	124,586
Total liabilities		**82,862**	124,618
Total equity and liabilities		**152,906**	150,878
Net current assets/(liabilities)		**34,642**	(9,272)
Total assets less current liabilities		**70,044**	26,292

The consolidated financial statements on pages 34 to 95 were approved by the Board of Directors on 14 June 2016 and were signed on its behalf.

Mr. Tam Wing Ki	**Mr. Tao Hong Ming**
Director	*Director*

The notes on pages 40 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	PRC statutory reserve *(Note i)* HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2014	—	—	(5,402)	1,233	5,328	46,835	47,994
Comprehensive income							
Profit for the year	—	—	—	—	—	10,536	10,536
Other comprehensive loss							
Currency translation differences	—	—	—	16	(429)	—	(413)
Recycle of currency translation differences upon disposal of a subsidiary	—	—	—	—	(1,552)	—	(1,552)
Total other comprehensive loss, net of tax	—	—	—	16	(1,981)	—	(1,965)
Total comprehensive income	—	—	—	16	(1,981)	10,536	8,571
Transactions with owners in their capacity as owners							
Dividend relating to year ended 31 March 2015 *(Note 13)*	—	—	—	—	—	(16,000)	(16,000)
Special dividend *(Note 13)*	—	—	—	—	—	(36,007)	(36,007)
Deemed contribution upon disposal of a subsidiary *(Note 1(b)(iv))*	—	—	7,169	—	—	—	7,169
Issue of shares of On Real *(Note 1(b)(v))*	—	—	11,610	—	—	—	11,610
Shares issued pursuant to the Reorganisation *(Note 1(b)(vi))*	—	22,126	(22,126)	—	—	—	—
Contribution from owners *(Note 26(b))*	—	—	2,923	—	—	—	2,923
Appropriation to PRC statutory reserve	—	—	—	1,933	—	(1,933)	—
Total transactions with owners in their capacity as owners	—	22,126	(424)	1,933	—	(53,940)	(30,305)
Balance at 31 March 2015	—	22,126	(5,826)	3,182	3,347	3,431	26,260

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	PRC statutory reserve *(Note i)* HK$'000	Exchange reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 April 2015	–	22,126	(5,826)	3,182	3,347	3,431	26,260
Comprehensive loss							
Loss for the year	–	–	–	–	–	(14,850)	(14,850)
Other comprehensive income							
Currency translation differences	–	–	–	(147)	639	–	492
Total other comprehensive income, net of tax	–	–	–	(147)	639	–	492
Total comprehensive loss	–	–	–	(147)	639	(14,850)	(14,358)
Transactions with owners in their capacity as owners							
Capitalisation of shares *(Note 1(b)(viii))*	3,600	(3,600)	–	–	–	–	–
Issue of new shares upon placing, net of share issuing expenses *(Note 23(a))*	1,200	56,942	–	–	–	–	58,142
Appropriation to PRC statutory reserve	–	–	–	936	–	(936)	–
Total transactions with owners in their capacity as owners	4,800	53,342	–	936	–	(936)	58,142
Balance at 31 March 2016	4,800	75,468	(5,826)	3,971	3,986	(12,355)	70,044

Note:

(i) As required by the People's Republic of China ("PRC") relevant rules and regulation, the PRC subsidiaries of the Group is required to transfer 10% of their profit after tax to statutory reserve until the reserve balance reaches 50% of the registered capital. Appropriations to the reserves were approved by the respective boards of directors and made before distribution of dividend to the shareholders.

For the entities concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

The notes on pages 40 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	26	**(4,764)**	4,356
Interest paid		**(1,239)**	(1,152)
Income tax paid		**(12,694)**	(6,824)
Net cash used in operating activities		**(18,697)**	(3,620)
Cash flows from investing activities			
Payments of development expenses capitalised as intangible assets		**(14)**	(6,593)
Purchases of property, plant and equipment		**(5,769)**	(5,776)
Proceeds from disposals of property, plant and equipment	26	**68**	4,122
Decrease in restricted cash		**3,259**	3,367
Decrease in bank deposit with original maturity over 3 months		**—**	1,594
Interest received		**1,311**	262
Net cash used in investing activities		**(1,145)**	(3,024)
Cash flows from financing activities			
Proceeds from bank borrowings		**—**	26,757
Repayments of bank borrowings		**(24,363)**	—
Repayments of obligation under finance lease		**(383)**	(728)
Capital injection by Solution Smart and Pacific Able		**—**	10,079
Dividends paid to the subsidiaries' shareholders		**—**	(26,584)
Cash outflow upon disposal of a subsidiary		**—**	(6,442)
Payment for listing expenses		**(7,833)**	(2,425)
Proceeds from issuance of shares upon placing, net		**58,142**	—
Net cash generated from financing activities		**25,563**	657
Net increase/(decrease) in cash and cash equivalents		**5,721**	(5,987)
Cash and cash equivalents at beginning of the year		**28,373**	34,495
Exchange gains/(losses) on cash and cash equivalents		**956**	(135)
Cash and cash equivalents at end of year	22	**35,050**	28,373

The notes on pages 40 to 95 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) General information

On Real International Holdings Limited ("the Company") was incorporated in the Cayman Islands on 30 June 2014 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised), of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is Room 2401–02, 24/F., Jubilee Centre, 46 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "Group") is principally engaged in the trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products.

The controlling shareholders of the Company are Mr. Tam Wing Ki ("Mr. Tam") and Mr. Hsu Wing Sang ("Mr. Hsu") (collectively, the "Controlling Shareholders").

The Company has listed its shares on the Growth Enterprise Market ("GEM Board") of The Stock Exchange of Hong Kong Limited since 30 September 2015.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

(b) Reorganisation

Pursuant to the reorganisation of the Group (the "Reorganisation") as set under the section headed "History, reorganisation and corporate structure" in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The Reorganisation is merely a reorganisation of the Group's business with no change in management of such business and the Controlling Shareholders remain the same. Accordingly, the consolidated financial statements of the Group have been prepared as of the Group had always been in existence throughout the year ended 31 March 2015 or since the respective dates of incorporation or establishment of the Group Companies.

Details of the Reorganisation are as follows:

(i) On 22 May 2014, Xinxing On Time Electronics Limited ("Xinxing On Time"), a wholly-owned subsidiary of On Real Limited ("On Real"), which was owned as to 69.23% and 30.77% by Mr. Tam and Mr. Hsu, respectively, transferred employees, certain assets and its operation to Xinxing Great Success Plastic Limited ("Xinxing Great Success"), a wholly-owned subsidiary of On Real.

(ii) On 30 June 2014, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each. On the same day, one subscriber's share was transferred to Mr. Tam, and 6,922 and 3,077 ordinary shares were allotted and issued at par to Mr. Tam and Mr. Hsu, respectively, representing 69.23% and 30.77% of the issued shares of the Company, respectively.

1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

(b) Reorganisation (Continued)

(iii) On 4 July 2014, On Real (BVI) Limited ("On Real (BVI)") was incorporated in the British Virgin Islands ("BVI").

(iv) On 31 August 2014, On Real disposed of Xinxing On Time to Shine View Development Limited ("Shine View"), which is controlled by the Controlling Shareholders but is not a member of the Group, at a consideration of US$3,200,000 (equivalent to HK$24,960,000). Details of the assets and liabilities disposed are as follows:

	HK$'000
Consideration settled through dividends (Non-cash transaction)	24,960
Less assets and liabilities disposed of:	
Land use rights	5,627
Property, plant and equipment *(Note 15)*	21,339
Trade and other receivables and prepayments	12,847
Cash and cash equivalents	6,442
Trade payables, accruals and other payables	(28,464)
Net Assets	17,791
Deemed contribution upon disposal of a subsidiary	7,169

(v) On 30 October 2014, On Real and the Controlling Shareholders entered into subscription agreements with two independent investors, namely Solution Smart Holdings Limited ("Solution Smart") and Pacific Able Limited ("Pacific Able") pursuant to which Solution Smart and Pacific Able subscribed for 518,614 and 259,167 new shares of On Real, respectively, at considerations of US$1,000,000 and US$500,000, respectively (equivalent to HK$7,740,000 and HK$3,870,000, respectively), resulting in Mr. Tam, Mr. Hsu, Solution Smart and Pacific Able holding 49.85%, 22.15%, 18.67% and 9.33% of the total issued share capital of On Real, respectively.

(vi) On 31 October 2014, On Real (BVI) acquired 49.85%, 22.15%, 18.67% and 9.33% equity interest in On Real from Mr. Tam, Mr. Hsu, Solution Smart and Pacific Able, respectively, at a consideration to be satisfied by the allotment and issue of 3,047, 1,353, 3,734 and 1,866 shares of the Company to Mr. Tam, Mr. Hsu, Solution Smart and Pacific Able, respectively. In consideration of the Company's allotment and issue of a total of 10,000 consideration shares to Mr. Tam, Mr. Hsu, Solution Smart and Pacific Able, the Company was allotted and issued one share of On Real (BVI).

(vii) On 16 September 2015, the authorised share capital of the Company increased from HK$390,000 to HK$7,800,000 by the creation of an additional 741,000,000 shares of HK$0.01 each.

1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

(b) Reorganisation (Continued)

(viii) On 16 September 2015, the Company capitalised an amount of HK$3,599,800 by crediting to the share premium account of the Company and that the said sum be applied in paying up in full for 359,980,000 shares, representing 99.994% of the enlarged issued share capital of the Company. Such shares are allotted and issued, credited as fully paid, to Mr. Tam, Mr. Hsu, Solution Smart and Pacific Able as to 179,450,030 shares, 79,735,570 shares, 67,208,266 shares and 33,586,134 shares, respectively, in proportion to their then respective shareholdings in the Company of 49.85%, 22.15%, 18.67% and 9.33% respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset (including key-man insurance) at fair value through profit or loss, which is carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2015. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) *New standards, amendments to existing standards and annual improvements that have been issued but not yet effective and have not been early adopted by the Group*

The following new standards, amendments to existing standards and annual improvements have been published but are not yet effective for the year ended 31 March 2016 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statement	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investments Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements Project	Annual Improvements 2012–2014 Cycle	1 January 2016

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

(c) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year, as a result, there were changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investment in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investment in subsidiaries is required upon receiving a dividend from the investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive directors that make strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains — net".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(d) Disposal of foreign operation

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

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of lease term or 5 years
Furniture and fixtures	5 years
Office equipment	5 years
Plant and machinery	3–5 years
Motor vehicles	5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains or losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other income" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

Costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the engineering and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised include the product development employee costs and engineering cost paid to third party vendors. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs recognised as assets are amortised over their estimated useful lives of three years.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

2.8.1 Classification (Continued)

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, restricted cash and cash and cash equivalents (Notes 2.13 and 2.14) in the consolidated statement of financial position.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial asset at fair value through profit or loss is subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial asset at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "other gains — net" in the period in which they arise. Dividend income from financial asset at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of these derivative financial instruments are recognised immediately in the consolidated statement of comprehensive income within "other gains — net". The Group does not have any derivative that is designated as a hedging instrument.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Trade and other receivables

Trade receivables are amount due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.18 Borrowing costs

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (Continued)

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) *Retirement benefit obligations*

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

The PRC

The Group companies in the PRC participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employee in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

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

(c) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Warranty claim

The Group generally offers warranties of one to three years for its communication products and caring products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transactions and the specifics of each arrangement.

(i) Sale of goods

Sale of goods is recognised when products have been delivered to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Servicing business income

Servicing business income is recognised when such services are rendered.

(iii) Rental income

Rental income is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, when appropriate.

2.27 Government grants

Grants from the government are recognised at their fair value in the consolidated statement of comprehensive income where there is a reasonable assurance that the grant will be received and the Group has complied with all attached conditions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by finance department under policies approved by the Board of Directors. Finance department of the Group identifies, evaluates and hedge financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK$ and Chinese Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group enters into foreign exchange forward contracts with external financial institutions to partially hedge against such foreign exchange risk. The Group also mitigates this risk by maintaining HK$ and RMB bank accounts which are used by the Group to pay for the transactions denominated in these currencies.

The HK$ is pegged to the United States dollars ("US$") and thus foreign currency exposure is considered as minimal and is not hedged.

At 31 March 2016, if the RMB had weakened/strengthened by 5% (2015: 5%) against the HK$ with all other variables held constant, the pre-tax loss for the year would have been HK$1,121,000 lower/higher (2015: the pre-tax profit for the year would have been HK$1,210,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of RMB-denominated trade and other receivables, trade and other payables and cash and bank balances.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from bank borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. During the years ended 31 March 2016 and 2015, the Group's borrowings at variable rates were denominated in the HK$ and the US$, respectively. Borrowing obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow interest rate risk (Continued)

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group's cash flow interest rate risk arises from bank balances at floating interest rates.

At 31 March 2016, if interest rates on borrowings had been 50 basis points (2015: 50 basis points) higher/lower with all other variables held constant, pre-tax loss for the year would have been HK$125,000 higher/lower (2015: pre-tax profit for the year would have been HK$247,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables and other receivables. The carrying amount of these balances in the consolidated statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 March 2016, 9% (2015: 17%) of the Group's cash at banks were deposited in financial institutions with no credit rating provided by Standard and Poor's. The Group only maintained sufficient deposit in these financial institutions without credit rating in order to satisfy the payments which required to be settled through these bank accounts. Management does not expect any losses arising from non-performance by these counterparties as at the statement of financial position date.

Bank balances are deposited in reputable banks. Management does not expect any losses from non-performance by these banks.

Debtors of the Group may be affected by the unfavourable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 March 2016, the Group had a concentration of credit risk given that the top 5 customers account for 85.2% (2015: 78.0%) of the Group's total year end trade receivables balance. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. For the trade receivables proved to be impaired, management has provided sufficient provision on those balances.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available and obtaining additional funding from the loan facilities and monitoring cash flow forecast to maintain its going concern.

Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 24) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by the Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The following tables analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the statement of financial position date) and the earliest date the Group can be required to pay, except for long term bank borrowings subject to a repayment on demand clause.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The undiscounted cash flow does not include interest payments computed using contractual rates if the lender does not invoke their unconditional rights. The maturity analysis for other bank borrowings and finance lease liabilities is prepared based on the scheduled repayment dates.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand	Within 3 months	More than 3 months but less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash outflows
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2016						
Long term bank borrowings subject to a repayment on demand clause	**6,484**	**—**	**—**	**—**	**—**	**6,484**
Other bank borrowings	**—**	**18,467**	**—**	**—**	**—**	**18,467**
Finance lease liabilities	**—**	**32**	**—**	**—**	**—**	**32**
Trade and other payables	**—**	**36,970**	**5,317**	**—**	**—**	**42,287**
	6,484	**55,469**	**5,317**	**—**	**—**	**67,270**
At 31 March 2015						
Long term bank borrowings subject to a repayment on demand clause	15,135	—	—	—	—	15,135
Other bank borrowings	—	34,179	—	—	—	34,179
Finance lease liabilities	—	123	279	32	—	434
Trade and other payables	654	41,007	8,904	—	—	50,565
	15,789	75,309	9,183	32	—	100,313

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments				
	Within 3 months	More than 3 months but less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total Outflows
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2016	**1,181**	**3,197**	**646**	**1,691**	**6,715**
At 31 March 2015	2,140	6,119	3,924	3,689	15,872

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings. Total capital is calculated as "equity" as shown in the consolidated statement of financial position.

The gearing ratios at 31 March 2016 and 2015 were as follows:

	2016	2015
	HK$'000	HK$'000
Total debt *(Note 24)*	**24,983**	49,729
Total equity	**70,044**	26,260
Gearing ratio	**35.7%**	189.4%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 March 2016 and 2015.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2016				
Asset				
— Financial asset at fair value through profit or loss *(Note (i))*	**—**	**—**	**14,513**	**14,513**
At 31 March 2015				
Asset				
— Financial asset at fair value through profit or loss *(Note (i))*	—	—	14,458	14,458

There were no transfers between levels 1, 2 and 3 during the years ended 31 March 2016 and 2015.

If one or more of the significant inputs is not based on observable market date, the instrument is included in level 3.

The fair value of financial asset at fair value through profit or loss that is not quoted in an active market is determined using the discounted cash flow approach (Note 17).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Note:

(i) The following table presents the changes in level 3 instruments for the years ended 31 March 2016 and 2015:

	Financial asset at fair value through profit or loss	
	2016	2015
	HK$'000	HK$'000
Opening balance	**14,458**	11,680
Interest income *(Note 10)*	**351**	342
Administrative expense charged to consolidated statement of comprehensive income	**(128)**	(125)
Changes in fair value *(Note 7)*	**(168)**	2,561
Closing balance	**14,513**	14,458
Total (losses)/gains for the year included in profit or loss for assets held at the end of the year, under "other gains — net"	**(168)**	2,561
Changes in unrealised (losses)/gains for the year included in profit or loss at the end of the year	**(168)**	2,561

Please refer to Note 17 for the details of the revaluation of the financial asset at fair value through profit or loss.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation where useful lives for its property, plant and equipment and intangible assets are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable and therefore depreciation/amortisation in future periods.

(c) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount. The recoverable amounts have been determined based on fair value less cost to sell calculations or value in use calculations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continuous use of the asset in the business; (iii) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset's recoverable amount; (iv) whether there is any assets are being obsolescence or any plan to discontinue or restructure; and (v) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(d) Impairment of leasehold improvements on leased premises

The Group operates office premises, factories and staff quarters on leased premises in the PRC which are located on the land that the lessors did not possess the relevant property ownership certificates and construction works planning permits. The relevant authorities of the PRC may deem the leases invalid owing to the lessors not having obtained the relevant certificates and the Group may not be able to continue to occupy and conduct operations at the relevant leased properties if the leases are adjudicated as invalid or the leased properties are ordered to be demolished by the relevant PRC governmental authorities as illegal buildings. Management considered that such problem is unlikely to cause any interruption or termination of the leases or to have a material effect on the carrying amounts of the related leasehold improvements of HK$853,000 as at 31 March 2016 (2015: HK$500,000). Accordingly, no impairment for such leasehold improvements is considered necessary to be made according to the Group's accounting policies.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

(f) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the balances. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.

(g) Fair value of financial asset at fair value through profit or loss

The Group recognises the change in fair value of financial asset at fair value through profit or loss in the consolidated statement of comprehensive income. It obtains independent valuations at least annually. The fair value of financial asset at fair value through profit or loss is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 17.

5 SEGMENT INFORMATION

The Group is principally engaged in the trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products.

The executive directors have been identified as the chief operating decision makers. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a product perspective whereby management assesses the performance of two-way radios, baby monitors, servicing business and other communication devices based on gross profit arising in the course of the ordinary activities of a recurring nature.

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors for the years ended 31 March 2016 and 2015 is as follows:

	Two-way radios HK$'000	Baby monitors HK$'000	Servicing business HK$'000	Other products *(Note (i))* HK$'000	Total HK$'000
For the year ended 31 March 2016					
Total segment revenue (from external customers)	**229,614**	**18,477**	**2,093**	**11,660**	**261,844**
Segment results for the year	**29,682**	**2,321**	**328**	**1,706**	**34,037**
Other segment items:					
Amortisation of intangible assets	**437**	**2,242**	**—**	**—**	**2,679**
Depreciation of property, plant and equipment	**4,011**	**352**	**8**	**202**	**4,573**
Capital expenditure *(Note (ii))*	**5,274**	**463**	**11**	**266**	**6,014**
Provision for inventories	**463**	**41**	**—**	**23**	**527**
For the year ended 31 March 2015					
Total segment revenue (from external customers)	322,619	7,346	1,638	14,588	346,191
Segment results for the year	50,757	1,085	350	3,167	55,359
Other segment items:					
Amortisation of land use rights and intangible assets	765	16	5	48	834
Depreciation of property, plant and equipment	5,496	117	38	343	5,994
Capital expenditure *(Note (ii))*	13,416	206	75	712	14,409
Provision for inventories	72	2	1	4	79

Notes:

(i) Other products include transistors, ICs, plastic casings, rechargeable battery chargers, ultrasonic cleansers, inductive emergency flashlights and accessories such as headsets, belt clips, chargers and power adaptors, etc.

(ii) Capital expenditure represents additions of property, plant and equipment and intangible assets.

5 SEGMENT INFORMATION (CONTINUED)

Total revenue recognised during the year are as follows:

	2016 HK$'000	2015 HK$'000
Sales of goods	**259,751**	344,553
Sales of service	**2,093**	1,638
	261,844	346,191

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

A reconciliation of total segment results to the (loss)/profit for the year is provided as follows:

	2016 HK$'000	2015 HK$'000
Segment results	**34,037**	55,359
Effect of one-off reversal of retirement benefit costs *(Note 9)*	**—**	5,667
	34,037	61,026
Other income	**571**	4,454
Other gains — net	**1,520**	1,775
Selling, distribution and administrative expenses	**(53,013)**	(51,789)
Operating (loss)/profit	**(16,885)**	15,466
Finance income/(costs) — net	**423**	(548)
(Loss)/profit before income tax	**(16,462)**	14,918

5 SEGMENT INFORMATION (CONTINUED)

An analysis of revenue by geographic location is set out below:

	2016 HK$'000	2015 HK$'000
The United States of America	**86,194**	148,606
Germany	**50,183**	18,858
Europe *(Note 1)*	**41,953**	54,857
Asia *(Note 2)*	**29,157**	37,745
The Netherlands	**22,208**	41,675
The United Kingdom ("UK")	**20,909**	23,002
Others *(Note 3)*	**11,240**	21,448
	261,844	346,191

Note 1: Europe includes but is not limited to France, Italy and Belgium but excludes UK, Germany and the Netherlands.

Note 2: Asia includes but is not limited to the PRC and Hong Kong.

Note 3: Others include but is not limited to Brazil, Canada and Russia.

Revenue is allocated based on the shipping destination.

Non-current assets are located in the PRC and Hong Kong.

Details of the customers accounting for 10% or more of total revenue are as follows:

	2016 HK$'000	2015 HK$'000
Customer A	**61,651**	161,537
Customer B	**69,715**	20,958[1]
	131,366	182,495

[1] Sales to Customer B did not exceed 10% of total revenue for the year ended 31 March 2015. The amount shown above is for comparative purpose only.

6 OTHER INCOME

	2016 HK$'000	2015 HK$'000
Government grant	**364**	—
Gains on disposals of property, plant and equipment	**68**	2,602
Staff quarters rental income	**60**	232
Recycle of currency translation differences upon disposal of a subsidiary	**—**	1,552
Others	**79**	68
	571	4,454

7 OTHER GAINS — NET

	2016 HK$'000	2015 HK$'000
Exchange gains, net	**1,688**	378
Fair value (losses)/gains on financial asset at fair value through profit or loss *(Note 3.3)*	**(168)**	2,561
Fair value losses on derivative financial instruments — net losses on forward foreign exchange contracts	**—**	(1,872)
Net exchange gains on forward foreign exchange contracts	**—**	708
	1,520	1,775

8 EXPENSES BY NATURE

	2016 HK$'000	2015 HK$'000
Cost of inventories recognised as expenses *(Note 19)*	**132,195**	182,288
Employee benefit expenses *(Note 9)*	**69,020**	70,174
Subcontracting fees *(Note i)*	**22,827**	24,032
Auditors' remuneration		
— Audit services	**1,161**	326
— Non-audit services	**338**	—
Amortisation of land use rights	**—**	55
Amortisation of intangible assets *(Note 16)*	**2,679**	779
Depreciation of property, plant and equipment *(Note 15)*	**4,573**	5,994
Provision for inventories *(Note 19)*	**527**	79
Operating leases		
— Office premises and staff quarters	**1,860**	1,996
— Factories	**3,329**	3,064
— Plant and machinery	**331**	—
Listing expenses	**8,676**	16,943
Consultancy fee	**4,502**	2,945
Fuel and utility expenses	**3,429**	4,929
Transportation and travelling expenses	**3,315**	3,156
Research and development expenses	**892**	580
Other expenses	**21,166**	19,614
	280,820	336,954
Representing:		
Cost of sales	**227,807**	285,165
Selling and distribution expenses	**4,569**	3,710
Administrative expenses	**48,444**	48,079
	280,820	336,954

Note i: Subcontracting fees

The amount represents the fees paid to engage independent subcontractors for manufacturing processes.

9 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS

	2016 HK$'000	2015 HK$'000
Wages, salaries and allowances	**63,190**	75,075
Retirement benefit costs — defined contribution plans:		
— Hong Kong	**195**	159
— PRC	**5,649**	(3,390)
	69,034	71,844
Capitalised in intangible assets	**(14)**	(1,670)
	69,020	70,174

Note:

Retirement benefit costs of the Group's subsidiaries established in the PRC for the year ended 31 March 2016 mainly comprised cost of HK$11,094,000 (2015: HK$12,399,000), offset by the reversal of provision for prior years of HK$5,445,000 (2015: HK$15,789,000). The Group reversed the provision for retirement benefits costs after considering the relevant local rules and regulations and the legal opinion received from the Company's PRC legal advisers that the Social Insurance Fund Management Bureau are time-barred from ordering payment based on the two-year statute of limitation.

For the year ended 31 March 2015, the reversal of provision of HK$15,789,000 included an amount of reversal of provision of HK$5,667,000 since the Group has received a written confirmation from the Social Insurance Fund Management Bureau of Xinxing on 16 September 2014 confirming that it has not issued and will not issue an order requiring the subsidiary in Xinxing to repay the social insurance or impose administrative penalty on the subsidiary.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2015: three) directors, whose emoluments are reflected in the analysis shown in Note 30. The emoluments payable to the remaining two (2015: two) individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries and allowances	**1,790**	1,317
Retirement benefit costs — defined contribution plans	**36**	33
	1,826	1,350

9 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS (CONTINUED)

Five highest paid individuals (Continued)

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
	HK$'000	HK$'000
Emolument band (in HK dollar)		
Nil – HK$1,000,000	**2**	2

10 FINANCE INCOME/(COSTS) — NET

	2016	2015
	HK$'000	HK$'000
Interest expense on borrowings		
— Repayable within 5 years	**(1,220)**	(1,086)
Interest expense on finance leases	**(19)**	(66)
Finance costs	**(1,239)**	(1,152)
Interest income from bank deposits	**121**	262
Interest income from financial asset at fair value through profit or loss *(Note 3.3)*	**351**	342
Other interest income *(Note)*	**1,190**	—
Finance income	**1,662**	604
Finance income/(costs) — net	**423**	(548)

Note:

The amount represents interest income charged to customers during the year.

11 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. The PRC enterprise income tax is provided at the rate of 25% (2015: 25%) for Xinxing Great Success for the year. During the year, there was a change in the corporation tax rate of On Real Electronics (Shenzhen) Limited to 15% (2015: 25%), which was effective from 1 April 2015.

11 INCOME TAX (CONTINUED)

The amount of income tax (credited)/charged to the consolidated statement of comprehensive income represents:

	2016 HK$'000	2015 HK$'000
Current income tax		
— Current income tax	**2,026**	4,192
— Over-provision in prior years	**(1,998)**	—
Deferred income tax *(Note 18)*	**(1,640)**	(503)
Withholding tax	**—**	693
Income tax (credit)/expense	**(1,612)**	4,382

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to (losses)/profits of the Group's subsidiaries as follows:

	2016 HK$'000	2015 HK$'000
(Loss)/profit before income tax	**(16,462)**	14,918
Tax calculated at domestic tax rates applicable to (losses)/profits in the respective countries	**(1,698)**	2,846
Expenses not deductible for tax purposes	**2,172**	2,827
Income not subject to tax	**—**	(875)
Tax losses for which no deferred income tax asset was recognised	**171**	135
Tax impact of temporary differences not recognised	**(259)**	(1,244)
Over-provision of income tax in prior years	**(1,998)**	—
Withholding tax	**—**	693
Income tax (credit)/expense	**(1,612)**	4,382

Notes:

(i) Expenses not deductible for tax purposes mainly comprised the tax effect of expenses not supported by PRC tax invoices and non-deductible listing expenses for the years ended 31 March 2016 and 2015.

(ii) The weighted average applicable tax rate was 9.8% (2015: 29.4%). The decrease is due to (i) the losses of certain Group companies in Hong Kong incurred during the year; (ii) the decrease in the tax effect of non-deductible listing expenses for the year ended 31 March 2016; (iii) change of tax rate from 25% to 15% of On Real Electronics (Shenzhen) Limited; and (iv) over-provision of income tax in prior years.

12 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares, the 14,400 ordinary shares of the Company issued to Mr. Tam and Mr. Hsu during the Reorganisation (Notes 1(b)(ii) and 1(b)(vi)) and the additional 259,185,600 shares under the proposed capitalisation on 16 September 2015 (Note 1(b)(viii)) were treated as if they had been in issue retrospectively; and 5,600 shares issued to Solution Smart and Pacific Able during the Reorganisation (Note 1 (b)(vi)) and the additional 100,794,400 shares issued under the proposed capitalisation on 16 September 2015 (Note 1(b)(viii)) were treated as if they had been in issue since 30 October 2014.

	2016 **HK$'000**	2015 HK$'000
(Loss)/profit attributable to owners of the Company (HK$'000)	**(14,850)**	10,536
Weighted number of ordinary shares in issue ('000)	**420,328**	300,900
Basic (loss)/earnings per share (HK cents per share)	**(3.53)**	3.50

(b) Diluted

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share due to the absence of dilutive potential ordinary shares during the years ended 31 March 2016 and 2015.

13 DIVIDENDS

	2016 **HK$'000**	2015 HK$'000
Dividends	**–**	52,007

The Board of Directors do not recommend the payment of a final dividend for the year ended 31 March 2016.

During the year ended 31 March 2015, certain subsidiaries of the Group declared interim dividends to their then equity holders amounting to HK$16,000,000.

In addition, for the year ended 31 March 2015, a subsidiary declared (i) a special dividend of HK$24,960,000 for settlement of consideration payable by Shine View in connection with the disposal of the entire equity interest in a subsidiary (see Note 1(b)(iv)); (ii) a special dividend of HK$1,047,000 to settle the net balances with the Controlling Shareholders (see Note 26(a)); and (iii) cash dividend of HK$10,000,000.

The number of shares ranking for dividends and the dividends per share are not presented as such information is not considered meaningful for the purpose of these consolidated financial statements.

14 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March:

Name of subsidiary	Place of incorporation/ principal place of business	Issued share capital/ registered capital	Effective interest held by the Group		Principal activities
			2016	2015	
Shares held directly:					
On Real (BVI)	BVI/BVI	US$2	**100%**	100%	Investment holding
Shares held indirectly:					
On Real	Hong Kong/PRC	HK$2,000,000	**100%**	100%	Trading of two-way radios and servicing business
On Real Electronics (Shenzhen) Limited	PRC/PRC	HK$5,000,000	**100%**	100%	Manufacturing and selling of two-way radios
Onward Technology Development Limited	Hong Kong/PRC	HK$10,000	**100%**	100%	Trading of plastic covers to On Real and its subsidiaries
Starian Caring Limited	Hong Kong/PRC	HK$10,000	**100%**	100%	Trading of baby monitors
Xinxing Great Success	PRC/PRC	HK$8,000,000	**100%**	100%	Manufacturing of plastic covers, two-way radios and baby monitors

All companies now comprising the Group, except for On Real Electronics (Shenzhen) Limited and Xinxing Great Success which both have adopted 31 December as the financial year end date, have adopted 31 March as the financial year end date.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2014							
Cost	28,889	4,386	342	2,694	45,864	2,018	84,193
Accumulated depreciation	(6,300)	(3,200)	(249)	(1,731)	(39,534)	(1,881)	(52,895)
Net book amount	22,589	1,186	93	963	6,330	137	31,298
Year ended 31 March 2015							
Opening net book amount	22,589	1,186	93	963	6,330	137	31,298
Additions	—	1,055	34	262	5,530	—	6,881
Depreciation	(612)	(452)	(27)	(322)	(4,458)	(123)	(5,994)
Disposals	(1,454)	(8)	(34)	—	(24)	—	(1,520)
Disposal of a subsidiary *(Note 1(b)(iv))*	(20,303)	(779)	(44)	(212)	—	(1)	(21,339)
Exchange differences	(220)	(9)	(1)	(7)	(20)	(1)	(258)
Closing net book amount	—	993	21	684	7,358	12	9,068
At 31 March 2015							
Cost	—	2,739	34	2,172	51,232	1,841	58,018
Accumulated depreciation	—	(1,746)	(13)	(1,488)	(43,874)	(1,829)	(48,950)
Net book amount	—	993	21	684	7,358	12	9,068
Year ended 31 March 2016							
Opening net book amount	**—**	**993**	**21**	**684**	**7,358**	**12**	**9,068**
Additions	**—**	**619**	**—**	**107**	**3,537**	**676**	**4,939**
Depreciation	**—**	**(338)**	**(7)**	**(237)**	**(3,938)**	**(53)**	**(4,573)**
Exchange differences	**—**	**(34)**	**(1)**	**(24)**	**(380)**	**(3)**	**(442)**
Closing net book amount	**—**	**1,240**	**13**	**530**	**6,577**	**632**	**8,992**
At 31 March 2016							
Cost	**—**	**3,236**	**32**	**2,177**	**52,328**	**1,879**	**59,652**
Accumulated depreciation	**—**	**(1,996)**	**(19)**	**(1,647)**	**(45,751)**	**(1,247)**	**(50,660)**
Net book amount	**—**	**1,240**	**13**	**530**	**6,577**	**632**	**8,992**

Depreciation expense of HK$3,944,000 (2015: HK$4,811,000) has been charged to cost of sales and HK$629,000 (2015: HK$1,183,000) in administrative expenses.

Plant and machinery includes the following amounts where the Group is a lessee under non-cancellable finance lease agreements. The leases have bargain purchase options with terms of 2 to 5 years, and at the inception of the lease the present value of the minimum lease payments amounts to substantially all of the fair value of the leased assets.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2016 HK$'000	2015 HK$'000
Cost — capitalised finance leases	**1,930**	9,168
Accumulated depreciation	**(1,301)**	(8,180)
Net book amount	**629**	988

16 INTANGIBLE ASSETS

	Product development costs HK$'000
At 1 April 2014	
Cost	1,691
Accumulated amortisation	(47)
Net book amount	1,644
Year ended 31 March 2015	
Opening net book amount	1,644
Additions	7,528
Amortisation charge	(779)
Exchange differences	10
Closing net book amount	8,403
At 31 March 2015	
Cost	9,229
Accumulated amortisation	(826)
Net book amount	8,403
Year ended 31 March 2016	
Opening net book amount	**8,403**
Additions	**1,075**
Amortisation charge	**(2,679)**
Exchange differences	**(41)**
Closing net book amount	**6,758**
At 31 March 2016	
Cost	**10,240**
Accumulated amortisation	**(3,482)**
Net book amount	**6,758**

Amortisation expense of HK$2,679,000 (2015: HK$779,000) is included in cost of sales.

17 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	HK$'000
Key-man insurance, at fair value	**14,513**	14,458

The financial asset at fair value through profit or loss represents key-man insurance purchased for a director of the Company, which is denominated in US$. The premium of the insurance is approximately HK$7,740,000. The sum insured is approximately HK$41,693,000.

The valuation of key-man insurance is determined and provided by an independent valuer using the discounted cash flow approach. The discounted cash flow approach focuses on the economic benefits generated by the income producing capability of an asset. The underlying theory of this approach is that the value of an asset can be measured by the present worth of the economic benefits to be received over its economic life. This approach needs to estimate the future cash flows and then discounts these cash flows to its present value using a discount rate appropriate for the risks associated with realising those cash flows.

Management has assessed the credit quality of the financial institution and considered the credit risk to be not significant.

The financial asset at fair value through profit or loss is pledged as security for the banking facilities of the Group as at 31 March 2016 and 2015 (Note 24).

An independent valuation of the Group's financial asset at fair value through profit or loss was performed by the valuer, International Valuation Limited, to determine the fair value of the key-man insurance as at 31 March 2016 and 2015. These valuation results are then reported to the chief financial officer and senior management of the Group for discussions in relation to the valuation processes and the reasonableness of valuation results. The fair value gains or losses is included in "other gains — net" in consolidated statement of comprehensive income (Note 7).

The valuation was determined using discounted cash flow projections based on significant unobservable inputs. These input include:

Future cash inflows	Based on the interest income derived from the first premium paid under the insurance policy, interest credited into the account and the expected death benefit based on mortality
Future cash outflows	Based on policy expense charge, policy premium charge and cost of insurance
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows
Mortality rate	Based on 2011 Hong Kong life table for males
Future crediting rate	Based on the current rate of interest credit to the insurance policy

There were no changes to the valuation techniques during the years ended 31 March 2016 and 2015.

17 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Unobservable inputs	Range of unobservable inputs as at 31 March 2016	Range of unobservable inputs as at 31 March 2015	Relationship of unobservable inputs to fair value
Financial asset at fair value through profit or loss	Discount rate	**2.61%**	2.54%	The higher the discount rate, the lower the fair value
	Future crediting rate	**4.40%**	4.40%	The higher the future crediting rate, the higher the fair value

The sensitivity of the financial asset at fair value through profit or loss to changes in the weighted principal assumption is:

	Impact on financial asset at fair value through profit or loss		
	Change in assumption	Increase in assumption	Decrease in assumption
Year ended 31 March 2016			
Discount rate	**0.1%**	**Decrease by HK$279,000**	**Increase by HK$286,000**
Future crediting rate	**0.1%**	**Increase by HK$898,000**	**Decrease by HK$859,000**
Year ended 31 March 2015			
Discount rate	0.1%	Decrease by HK$253,000	Increase by HK$331,000
Future crediting rate	0.1%	Increase by HK$960,000	Decrease by HK$867,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the financial asset at fair value through profit or loss to significant actuarial assumptions, the same method (present value of the financial asset at fair value through profit or loss calculated with discounted cash flow approach at the end of the reporting period) has been applied.

18 DEFERRED INCOME TAX

The analysis of deferred income tax assets is as follows:

	2016 **HK$'000**	2015 HK$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered within 12 months	**2,275**	635

The gross movement in the deferred income tax account is as follows:

	2016 **HK$'000**	2015 HK$'000
At 1 April	**635**	132
Credited to consolidated statement of comprehensive income *(Note 11)*	**1,640**	503
At 31 March	**2,275**	635

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Decelerated/ (accelerated) tax depreciation HK$'000	**Provisions** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 2014	132	—	—	132
(Charged)/credited to consolidated statement of comprehensive income	(137)	640	—	503
At 31 March 2015	(5)	640	—	635
At 1 April 2015	**(5)**	**640**	**—**	**635**
(Charged)/credited to consolidated statement of comprehensive income	**(65)**	**(145)**	**1,850**	**1,640**
At 31 March 2016	**(70)**	**495**	**1,850**	**2,275**

18 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses and other timing differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 March 2016, the Group had unrecognised deferred income tax assets in respect of (i) tax losses amounting to HK$1,038,000 (2015: HK$816,000); and (ii) other timing differences amounting to HK$427,000 (2015: HK$1,997,000), as it is uncertain whether they will be utilised in the foreseeable future. The unutilised tax losses have no expiry date.

Deferred tax liabilities of HK$1,230,000 as at 31 March 2016 (2015: HK$949,000), have not been recognised for the withholding tax that would be payable on the unremitted retained earnings of certain subsidiaries, as the directors intend to reinvest such retained earnings.

19 INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**14,043**	16,562
Work in progress	**14,115**	9,548
Finished goods	**6,061**	2,448
	34,219	28,558
Less: Provision for inventories	**(507)**	—
	33,712	28,558

The movement of provision for inventories is as follows:

	2016 HK$'000	2015 HK$'000
At beginning of the year	**—**	4,945
Provision for inventories *(Note 8)*	**527**	79
Write-off of provision for inventories	**—**	(4,963)
Exchange differences	**(20)**	(61)
At end of the year	**507**	—

Note: The cost of inventories recognised as expenses of HK$132,195,000 (2015: HK$182,288,000) for the year ended 31 March 2016 are included in "cost of sales" in the consolidated statement of comprehensive income.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	2016 HK$'000	2015 HK$'000
Assets as per consolidated statement of financial position		
Loans and receivables		
— Trade receivables	**29,391**	36,703
— Other receivables	**1,000**	1,142
— Restricted cash	**2,251**	5,510
— Cash and cash equivalents	**35,050**	28,373
	67,692	71,728
Financial asset at fair value through profit and loss		
— Key-man insurance	**14,513**	14,458
Total	**82,205**	86,186
Liabilities as per consolidated statement of financial position		
Other financial liabilities subsequently measured at amortised cost		
— Trade payables	**38,752**	42,220
— Other payables excluding non-financial liabilities	**3,535**	8,345
— Borrowings (excluding finance lease liabilities)	**24,951**	49,314
— Finance lease liabilities	**32**	415
Total	**67,270**	100,294

21 TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables *(Note a)*	**29,391**	36,703
Prepayments *(Note b)*	**9,330**	9,694
Value-added tax receivables	**5,586**	8,334
Other receivables and deposits	**705**	1,142
Receivables from a related party *(Note 28)*	**295**	—
	45,307	55,873
Less non-current portion: prepayments	**(2,864)**	(3,000)
Current portion	**42,443**	52,873

The carrying amounts of trade and other receivables approximate their fair values.

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

(a) Trade receivables

	2016 HK$'000	2015 HK$'000
Trade receivables	**29,391**	36,703

The Group normally grants credit terms to its customers ranging from 0 to 90 days. At 31 March 2016 and 2015, the ageing analysis of the trade receivables based on invoice date were as follows:

	2016 HK$'000	2015 HK$'000
1 to 30 days	**13,983**	28,467
31 to 60 days	**4,826**	3,541
61 to 90 days	**8,974**	4,564
91 to 180 days	**1,536**	10
Over 180 days	**72**	121
	29,391	36,703

As of 31 March 2016, trade receivables of HK$4,571,000 (2015: HK$16,036,000) were past due but not impaired. These relate to a number of independent customers, of which HK$3,008,000 (2015: HK$10,234,000) were due from the top five customers for the year ended 31 March 2016, for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on due date is as follows:

	2016 HK$'000	2015 HK$'000
Current	**24,820**	20,667
1 to 30 days	**3,986**	15,672
31 to 60 days	**490**	4
61 to 90 days	**—**	235
91 to 180 days	**37**	113
Over 180 days	**58**	12
Amounts past due but not impaired	**4,571**	16,036
	29,391	36,703

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

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

	2016 HK$'000	2015 HK$'000
US$	**22,660**	36,463
HK$	**52**	24
RMB	**6,679**	216
	29,391	36,703

As at 31 March 2016, the Group factored approximately 80% of trade receivables of HK$10,720,000 (2015: HK$4,667,000) to the banks as securities for the Group's banking facilities (Note 24).

(b) Prepayments

The prepayments comprise the following:

	2016 HK$'000	2015 HK$'000
Prepayments for purchase of inventories	**2,992**	3,459
Prepayments for operating leases	**2,862**	—
Prepayments for subcontracting fees	**1,200**	629
Prepayments for property, plant and equipment	**638**	1,026
Prepayments for marketing expenses	**1,084**	—
Prepayments for listing expenses	**—**	2,425
Prepayments for research and development	**—**	1,974
Other prepayments	**554**	181
	9,330	9,694

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2016 HK$'000	2015 HK$'000
Cash at bank and on hand *(Note (a))*	**35,050**	28,373
Pledged bank deposits *(Note (b))*	**2,251**	5,510
Total	**37,301**	33,883

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Notes:

(a) The amounts represent cash and cash equivalents in the consolidated statement of cash flows.

(b) The pledged bank deposits are held in designated bank accounts as securities for the Group's banking facilities (Note 24).

(c) The Group's cash and cash equivalents and restricted cash are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
US$	**11,385**	16,108
RMB	**8,860**	12,376
HK$	**17,047**	5,387
Euro	**9**	12
	37,301	33,883

The conversion of Renminbi denominated balances into foreign currencies and the remittance of these funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

23 SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Authorised:		
As at 30 June 2014 (date of incorporation) and 31 March 2015 *(Note 1(b)(ii))*	39,000,000	390
Capitalisation of shares *(Note 1(b)(vii))*	741,000,000	7,410
As at 31 March 2016	780,000,000	7,800
Issued and fully paid:		
As at 30 June 2014 (date of incorporation) *(Note 1(b)(ii))*	10,000	—
Issue of shares to Mr. Tam, Mr. Hsu, Solution Smart and Pacific Able on 31 October 2014 *(Note 1(b)(vi))*	10,000	—
As at 31 March 2015	20,000	—
Capitalisation of shares *(Note 1(b)(viii))*	359,980,000	3,600
Issue of new shares pursuant of share offer *(Note (a))*	120,000,000	1,200
As at 31 March 2016	480,000,000	4,800

Note:

(a) In connection with the Company's initial public offering on GEM Board on 30 September 2015, 120,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.57 per share for a total cash consideration of HK$68,400,000, with issuance costs amounting to HK$10,258,000. This resulted in share premium of approximately HK$56,942,000.

24 BORROWINGS

	2016 HK$'000	2015 HK$'000
Non-current, secured		
Finance lease liabilities	–	32
	–	32
Current, secured		
Bank borrowings due for repayment within 1 year	4,270	7,900
Portion of long-term bank borrowings due for repayment after 1 year which contain a repayment on demand clause	2,214	7,235
Finance lease liabilities	32	383
Factoring loans	8,601	3,749
Import and export loans	9,866	30,430
	24,983	49,697
Total borrowings	24,983	49,729

All borrowings, including the term loans repayable on demand, are carried at amortised cost.

As at March 2016 and 2015, the Group's borrowing were repayable as follows:

	Bank borrowings		Finance lease liabilities		Factoring loans		Import and export loans		Total	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Within 1 year	4,270	7,900	32	383	8,601	3,749	9,866	30,430	22,769	42,462
Portion of long-term bank borrowing due for repayment after 1 year which contain a repayment on demand clause	2,214	7,235	–	–	–	–	–	–	2,214	7,235
Portion of long-term bank borrowing due for repayment after 1 year *(Note)*:										
After 1 year but within 2 years	–	–	–	32	–	–	–	–	–	32
	–	–	–	32	–	–	–	–	–	32
	6,484	15,135	32	415	8,601	3,749	9,866	30,430	24,983	49,729

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements.

24 BORROWINGS (CONTINUED)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
US$	**21,284**	33,230
HK$	**3,699**	16,499
	24,983	49,729

As at 31 March 2016, the Group had aggregate banking facilities of approximately HK$59,170,000 (2015: HK$91,840,000) including loans, trade financing and bank guarantees. Unused facilities as at 31 March 2016 amounted to approximately HK$34,187,000 (2015: HK$42,111,000)

As at 31 March 2016, the facilities are secured/guaranteed by:

(i) pledge of life insurance amounting to HK$14,513,000;

(ii) bank deposits of HK$2,251,000;

(iii) a corporate guarantee from the Company; and

(iv) trade receivables of HK$10,720,000.

As at 31 March 2015, the facilities were secured/guaranteed by:

(i) joint and several guarantee executed by the Controlling Shareholders;

(ii) pledge of life insurance amounting to HK$14,458,000;

(iii) bank deposits of HK$5,510,000;

(iv) trade receivables of HK$4,667,000; and

(v) government guarantee for the loan drawn under the SME Financing Guarantee Scheme launched by The Hong Kong Mortgage Corporation Limited.

The carrying amounts of the borrowings approximate their fair values. The weighted average interest rate is 3.02% (2015: 3.27%) as at 31 March 2016.

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

	2016 HK$'000	2015 HK$'000
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**32**	402
Later than 1 year and no later than 5 years	**—**	32
	32	434
Future finance charges on finance leases	**—**	(19)
Present value of finance lease liabilities	**32**	415
The present value of finance lease liabilities is as follows:		
No later than 1 year	**32**	383
Later than 1 year and no later than 5 years	**—**	32
	32	415

25 TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables *(Note (a))*	**38,752**	42,220
Amount due to a related party *(Note 28)*	**98**	—
Advances from customers	**3,236**	574
Other payables and accruals		
— Accruals for staff cost	**9,830**	7,615
— Accruals for retirement benefit costs and housing funds	**2,076**	7,663
— Accrual for listing expenses	**—**	1,700
— Payable for property, plant and equipment	**709**	1,927
— Payable for intangible assets	**—**	1,048
— Other accruals and other payables	**2,816**	4,509
	57,517	67,256

(a) Trade payables

At 31 March 2016 and 2015, the ageing analysis of the trade payables based on invoice date were as follows:

	2016 HK$'000	2015 HK$'000
0 to 30 days	**17,204**	8,762
31 to 60 days	**7,351**	13,044
61 to 90 days	**8,880**	11,510
Over 90 days	**5,317**	8,904
	38,752	42,220

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

	2016 HK$'000	2015 HK$'000
US$	**493**	1,324
HK$	**152**	2,016
RMB	**38,107**	38,880
	38,752	42,220

The carrying amounts of trade payables approximate their fair values.

26 CASH (USED IN)/GENERATED FROM OPERATIONS

Reconciliation of cash (used in)/generated from operations:

	2016 **HK$'000**	2015 HK$'000
(Loss)/profit before income tax	**(16,462)**	14,918
Adjustments for:		
Finance income *(Note 10)*	**(1,662)**	(604)
Finance costs *(Note 10)*	**1,239**	1,152
Amortisation of land use rights *(Note 8)*	**—**	55
Amortisation of intangible assets *(Note 8)*	**2,679**	779
Depreciation of property, plant and equipment *(Note 8)*	**4,573**	5,994
Gains on disposals of property, plant and equipment *(Note 6)*	**(68)**	(2,602)
Fair value losses on derivative financial instruments *(Note 7)*	**—**	1,872
Fair value losses/(gains) on financial asset at fair value through profit or loss *(Note 3.3)*	**168**	(2,561)
Administrative expense for financial asset at fair value through profit or loss *(Note 3.3)*	**128**	125
Provision for inventories *(Note 8)*	**527**	79
Recycle of currency translation differences upon disposal of a subsidiary	**—**	(1,552)
Operating (loss)/profit before working capital changes	**(8,878)**	17,655
Changes in working capital		
Inventories	**(5,681)**	15,140
Trade and other receivables	**17,655**	(22,811)
Trade and other payables	**(7,860)**	(4,634)
Amounts due to directors	**—**	(994)
Cash (used in)/generated from operations	**(4,764)**	4,356

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2016 **HK$'000**	2015 HK$'000
Net book amount *(Note 15)*	**—**	1,520
Gains on disposals of property, plant and equipment	**68**	2,602
Proceeds from disposals of property, plant and equipment	**68**	4,122

26 CASH GENERATED FROM OPERATIONS (CONTINUED)

Non-cash transactions

(a) As at 30 November 2014, the Group had an amount due from Xinxing On Time of HK$9,464,000 and an amount due to On Time (HK) Limited of HK$8,417,000. Both Xinxing On Time and On Time (HK) Limited are controlled by the Controlling Shareholders. Pursuant to an agreement dated 31 January 2015, the Controlling Shareholders, Xinxing On Time, On Time (HK) Limited and the Group had entered into an assignment agreement where all the balances between the Group, On Time (HK) Limited and Xinxing On Time were assigned to the Controlling Shareholders. During the year ended 31 March 2015, the Company declared a special dividend of HK$1,047,000 (Note 13) to settle the net balances with the Controlling Shareholders.

(b) As at 23 February 2015, the Group had an amount due from On Time (HK) Limited of HK$215,000 and an amount due to Xinxing On Time of HK$3,138,000. Both Xinxing On Time and On Time (HK) Limited are controlled by the Controlling Shareholders. Pursuant to an agreement dated 23 February 2015, the Controlling Shareholders, On Time (HK) Limited, Xinxing On Time and the Group had entered into an assignment agreement where all the balances between the Group, On Time (HK) Limited and Xinxing On Time are assigned to the Controlling Shareholders. During the year ended 31 March 2015, the Controlling Shareholders agreed to forfeit an amount owed by the Group of HK$2,923,000. The forfeiture of the balance was regarded as contribution from owners.

27 COMMITMENTS

(a) Capital commitments

As at 31 March 2016 and 2015, the Group has the following capital commitments:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for		
— Property, plant and equipment	**279**	981
— Intangible assets	**774**	1,460

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 HK$'000	2015 HK$'000
Land and buildings		
— No later than 1 year	**915**	3,106
— Later than 1 year and no later than 5 years	**264**	3,445
	1,179	6,551

The Company has no other material commitments as at 31 March 2016 and 2015.

28 RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 March 2016 and 2015:

Name of the related party	Relationship with the Group
On Time (HK) Limited	Controlled by Mr. Tam and Mr. Hsu
Shine View	Controlled by Mr. Tam and Mr. Hsu
Xinxing On Time	Controlled by Mr. Tam and Mr. Hsu
Global Leader Enterprises Limited	Controlled by the sole shareholder of Solution Smart

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 March 2016 and 2015, and balances arising from related party transactions as at 31 March 2016 and 2015.

(a) Transactions with related parties

	2016 **HK$'000**	2015 HK$'000
Sales of goods to a related company		
— On Time (HK) Limited	**–**	4,234
Disposal of a subsidiary to a related company		
— Shine View	**–**	24,960
Rental expenses charged by a related company		
— Xinxing On Time	**(1,221)**	(815)
Consultancy fee paid to a related company		
— Global Leader Enterprises Limited	**–**	(2)

The above related party transactions were carried out in accordance with the terms mutually agreed between the respective parties.

Certain administrative expenses of the Company incurred during the year ended 31 March 2015 were borne by On Real, the subsidiary indirectly held by the Company.

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with a related party

	2016 **HK$'000**	2015 HK$'000
Amount due from a related party		
— Xinxing On Time *(Notes (i) and (ii))*	**295**	—
Amount due to a related party		
— Xinxing On Time *(Note (i))*	**(98)**	—

Notes:

(i) The amounts due from/(to) a related party arise from non-trade transactions. They are unsecured, interest-free and repayable on demand. The carrying amounts approximate their fair values and are denominated in RMB.

(ii) The maximum amount due from a related party outstanding during the year was HK$295,000 (2015: Nil).

(c) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 30.

(d) Guarantees from related parties

As at 31 March 2015, borrowings of the Group of HK$49,729,000 were guaranteed by the Controlling Shareholders. Upon listing of the Company, this guarantee was released and replaced by the corporate guarantee of the Company.

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary		**22,126**	22,126
Total non-current asset		**22,126**	22,126
Current assets			
Prepayments		**208**	—
Amounts due from subsidiaries		**43,454**	—
Cash and cash equivalents		**12,144**	—
Total current assets		**55,806**	—
Total assets		**77,932**	22,126
EQUITY			
Equity attributable to owners of the Company			
Share capital	29(b)	**4,800**	—
Share premium	29(b)	**75,468**	22,126
Accumulated losses	29(b)	**(3,406)**	—
Total equity		**76,862**	22,126
Current liability			
Other payables and accruals		**1,070**	—
Total current liability		**1,070**	—
Total equity and liabilities		**77,932**	22,126
Net current assets		**54,736**	—
Total assets less current liabilities		**76,862**	22,126

The statement of financial position of the Company was approved by the Board of Directors on 14 June 2016 and was signed on its behalf.

Mr. Tam Wing Ki
Director

Mr. Tao Hong Ming
Director

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share capital	Share premium	Accumulated losses	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2014	—	—	—	—
Shares issued pursuant to the Reorganisation *(Note 1(b)(vi))*	—	22,126	—	22,126
At 31 March 2015	—	22,126	—	22,126
At 1 April 2015	**—**	**22,126**	**—**	**22,126**
Loss for the year	**—**	**—**	**(3,406)**	**(3,406)**
Capitalisation of shares *(Note 1(b)(viii))*	**3,600**	**(3,600)**	**—**	**—**
Issue of new shares upon placing, net of share issuing expenses *(Note 23(a))*	**1,200**	**56,942**	**—**	**58,142**
At 31 March 2016	**4,800**	**75,468**	**(3,406)**	**76,862**

30 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS

(a) Directors' and senior executive's emoluments

The remuneration of directors and senior executive for the years ended 31 March 2016 and 2015 are set out below:

Name	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
For the year ended 31 March 2016					
Executive directors					
Tam Wing Ki *(Chief Executive Officer and Chairman)*	—	1,714	349	18	2,081
Hsu Wing Sang *(Note (iii))*	—	1,039	236	18	1,293
Tao Hong Ming	—	1,260	233	18	1,511
Non-executive director					
Chau Wai Hung, Andy	—	60	—	—	60
Independent non-executive directors					
Cheng Yuk Kin *(Note (ii))*	60	—	—	—	60
Fan Chun Wah Andrew *(Note (ii))*	80	—	—	—	80
Reina Lim Yan Xin *(Notes (ii) and (iv))*	60	—	—	—	60
Wong Ching Wan *(Note (v))*	—	—	—	—	—
Senior management					
Chan Koon Fat *(Note (vii))*	—	40	—	—	40
Cheung Chung Yuen, Wilson	—	450	74	15	539
Ho Kwok Ming	—	360	60	11	431
Kong Kwok Pun, Anthony *(Note (vi))*	—	125	80	7	212
Yu Wai Keung	—	480	77	17	574
	200	5,528	1,109	104	6,941

30 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS (CONTINUED)

(a) Directors' and senior executive's emoluments (Continued)

Certain of the comparative information of directors' emoluments for the year ended 31 March 2015 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
Name	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
For the year ended 31 March 2015					
Executive directors					
Tam Wing Ki *(Chief Executive Officer and Chairman)*	—	1,592	—	17	1,609
Hsu Wing Sang	—	1,054	—	17	1,071
Tao Hong Ming *(Note (i))*	—	320	—	6	326
Non-executive director					
Chau Wai Hung, Andy *(Note (i))*	—	—	—	—	—
Senior management					
Cheung Chung Yuen, Wilson	—	156	—	5	161
Ho Kwok Ming	—	368	—	12	380
Kong Kwok Pun, Anthony	—	628	—	17	645
Tao Hong Ming *(Note (i))*	—	773	—	12	785
Yu Wai Keung	—	480	—	16	496
	—	5,371	—	102	5,473

During the year ended 31 March 2016, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

30 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS (CONTINUED)

(a) Directors' and senior executive's emoluments (Continued)

Notes:

(i) Mr. Tao Hong Ming and Mr. Chau Wai Hung, Andy were appointed as the Company's executive director and non-executive director respectively on 10 December 2014. Prior to the appointment, Mr. Tao Hong Ming was the employee of the Group. The remuneration received by him from the Group prior to the date of his appointment was not included in the capacity of a director of the Company and the subsidiaries of the Group.

(ii) Mr. Cheng Yuk Kin, Mr. Fan Chun Wah Andrew and Ms. Reina Lim Yan Xin were appointed as the Company's independent non-executive directors on 16 September 2015.

(iii) Mr. Hsu Wing Sang resigned on 11 March 2016.

(iv) Ms. Reina Lim Yan Xin resigned on 31 March 2016.

(v) Mr. Wong Ching Wan was appointed on 31 March 2016.

(vi) Mr. Kong Kwok Pun Anthony resigned on 31 October 2015.

(vii) Mr. Chan Koon Fat was appointed on 1 March 2016.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 March 2016 (2015: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2016, no consideration was provided to or receivable by third parties for making available directors' services (2015: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 March 2016, there are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors (2015: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the section "Connected Transactions" in the Report of the Directors and Note 30(a), no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2016 (2015: Nil).

FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last three financial years are as follows:

RESULTS

	Year ended 31 March		
	2016	2015	2014
	HK$'000	HK$'000	HK$'000
Revenue	**261,844**	346,191	358,129
(Loss)/profit before income tax	**(16,462)**	14,918	31,355
Income tax credit/(expense)	**1,612**	(4,382)	(6,474)
(Loss)/profit for the year	**(14,850)**	10,536	24,881
Attributable to:			
Owners of the Company	**(14,850)**	10,536	24,722
Non-controlling interests	**—**	—	159
	(14,850)	10,536	24,881

ASSETS, EQUITY AND LIABILITIES

	Year ended 31 March		
	2016	2015	2014
	HK$'000	HK$'000	HK$'000
ASSETS			
Non-current assets	**35,402**	35,564	52,947
Current assets	**117,504**	115,314	129,840
Total assets	**152,906**	150,878	182,787
EQUITY AND LIABILITIES			
Total equity	**70,044**	26,260	47,994
Non-current liabilities	**—**	32	434
Current liabilities	**82,862**	124,586	134,359
Total liabilities	**82,862**	124,618	134,793
Total equity and liabilities	**152,906**	150,878	182,787