



# Gold Tat Group International Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 8266

Annual Report  
**2016**



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

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## Corporate Information

### DIRECTORS

#### Executive Directors

Mr. So Loi Fat (*Chairman*)  
Mr. Su Minzhi  
Mr. Chen Dongquan

#### Independent Non-executive Directors

Mr. Chiu Wai Piu  
Mr. Miu Hon Kit  
Mr. Li Shiu Ki, Ernest

### COMPLIANCE OFFICER

Mr. Chen Dongquan

### AUTHORISED REPRESENTATIVES

Mr. Su Minzhi  
Mr. Chen Dongquan

### COMPANY SECRETARY

Ms. Chang Kam Lai

### MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. Chiu Wai Piu  
Mr. Miu Hon Kit  
Mr. Li Shiu Ki, Ernest

### AUDITOR

RSM Hong Kong

### LEGAL ADVISER

Michael Li & Co

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong  
Investor Services Limited  
17M, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### REGISTERED OFFICE

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### PRINCIPAL BANKER

OCBC Wing Hang Bank Limited

### WEBSITE

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

### STOCK CODE

8266

## Schedule of Principal Properties

The following list contains properties held by the Group as at 31 March 2016:

### 1. INVESTMENT PROPERTIES

| Location  | Term         | Type        | Group's interest |
|---|--------------|-------------|------------------|
| Flat B, 5th Floor, No. 75 Broadway<br>Mei Foo Sun Chuen, Kowloon, Hong Kong<br>The remaining portion of N.K.I.L. No. 5087 | Medium Lease | Residential | 75%              |

### 2. PROPERTIES UNDER DEVELOPMENT

| Location  | Particulars of occupancy                  | Type                       | The site and gross floor area   | Group's interest |
|---|---|----------------------------|---|------------------|
| Two separate parcels of land located at Wumaling, Longtao, Jiangcheng District, Yangjiang City, Guangdong Province, the PRC | Vacant land as at the date of this report | Residential/<br>Commercial | Site area – approximately 16,128 square meters<br>Gross floor area – approximately 46,851 square meters | 66.66%           |

## Chairman's Statement

To all shareholders:

On behalf of the Board, I would like to take this opportunity to thank our shareholders, business partners, suppliers and customers whom have been lending their enthusiastic support to the Group continuously over the past year.

In the past year, China underwent the lowest economic growth rate during the past two decades, the Group also faced difficult challenges during the year. Whilst our Group, together with most other industries in China, suffered slowdown in growth and from profits decline, the PRC Government has been actively promoting the optimisation and upgrading of economic structure in conjunction with other policies to improve the economic environment. With regards to the property development industry in China, the PRC Government had been encouraging the "Out Stock" policy since just over a year ago, which brought toward enormous pressure to cities outside the first-tier cities. For the LCD panel industry in China, with the surging production capabilities and diminishing selling prices caused by high saturation for LCD panel products, especially, in smartphones and tablets, in China, our business arm related to the LCD panel and modules had also been facing difficulties caused by drop in prices and demands.

In such difficult environments, the Group has been working diligently and actively adjusting our business strategies to adapt to the new market environment and making great efforts to reduce the adverse effects towards our Group's businesses. In the past fiscal year, the Group's turnover decreased by 44%, from approximately HK\$1,190,641,000 for 2015 to approximately HK\$666,873,000 for 2016; loss for the year increased by approximately HK\$1,552,000 from the previous year to approximately HK\$119,960,000 this year.

Moreover, the Group will continue to strive to enhance the operational efficiency of our respective business divisions, with an aim to further improve the profitability and shareholders' value. The Group will also actively to seize new opportunities and to respond to new challenges.

Finally, I would also like to thank all my colleagues and the Board for their earnest guidance and valuable advice in the past year and we shall be working even more assiduously to meet the challenges of the coming year.

**So Loi Fat**  
*Chairman of the Board*

Hong Kong, 27 June 2016



# Management Discussion and Analysis

## GENERAL

The Group had been participating in the following activities:

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

## BUSINESS REVIEW

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

The business segment this year has experienced facing enormous challenges; sales fell 44% in 2016 to approximately HK\$662,345,000 from approximately HK\$1,182,848,000 in 2015. Due to the surge in domestic LCD panel production capacity in 2015, this had led to the import of such products to reduce rapidly, this business was affected significantly. Under the experienced management team leadership of ETC Technology Limited ("ETC"), this business unit timely adjusted its products composition, and actively tapped into the IC Drivers market and the related customers. The success in expanding our foothold in the IC Drivers market, together with the growth in the related sector, had enabled us to partially offset the over sales downturn suffered.

Since the start of 2015, trading of electronic hardware components has started to enter into a very difficult period, which was mainly caused by the overcapacity of suppliers and saturation of certain electronic devices on the market. This, thus, caused the selling prices of such components coming down sharply and rapidly, noticeably in the months of April to June; and even fell below the manufacturers' costs of productions. Inadvertently, such manufacturers were forced to make production adjustments accordingly so that the price decline started to become more stable in the month of August. Based on the current market situation, supply of electronic hardware components, especially display units, has started to become tense. However, this was not due to the increase in the demand on the market, but mainly on the prices being fallen sharply in previous months caused by a reduction of supplies by numerous manufacturers.

Given the volatility of the prices in the electronic hardware components, the management team of ETC had been monitoring the overall changes in the relevant markets and together comes with the unfavourable market conditions. More attention and resources were diverted in the trading of our IC Drivers section, whereas no such volatility of the prices were experienced and, most importantly, to minimise the impact that would have caused us were we to have kept our trading of display units in the old pace. Moreover, such move would enable to minimise ETC's exposure and reliance on such fierce and volatile market of the display units and to strengthen our position in the IC Drivers.

## Management Discussion and Analysis

Management of ETC expects that, in the next three months, revenue from the trading of the display units will continue to increase steadily. This is mainly attributable to that the previous price decline was too deep and too rapid, and now that the prices have become relatively stable plus the noticeable increase in customers' willingness to place orders. Nonetheless, with the advances in technology, thin-film display units have started to become more mature and be more commercialised in recent months. Whereas almost all manufacturers of display units are still adjusting and upgrading their production scope and productions, and with other new manufacturers entering into the market, competitions will surely be fierce. The management of ETC will continue to closely monitor the changes in such market, notwithstanding the changes and enhancement of our electronic hardware components being traded; so that a better product-mix, better margins and a more stable selling prices for trading of our products can be achieved.

### Real Estate Development and Investment

The Group has a real estate development portfolio of three projects concentrated in the area of Yangjiang City. The most notable project is Xiangjiang Peninsula, with stage three and four constructions getting underway. However, the progress was slow and fell behind the management's expectation. In regard of this, the Group will keep a close eye on the progress of pre-sales activities of Xiangjiang Peninsula and whether if any extra promotional and/or marketing activities were needed.

It was noted that despite a general downturn of the Chinese economy, the local appetite and sentiment for the real estate maintained because of the general public's housing needs; however, the sentiment remained conservative. The Group will continue with its cautious investment evaluation approach and along with more preparations aiming against possible adverse conditions.

In Hong Kong, during the year, we had disposed one of our two investment properties. The rental contract for the remaining investment property has expired and we are currently looking for a new tenant to fill the void.

### Prospects

China real estate market, especially in the third and fourth-tier cities is still in an adjustment period whereas the growth rate of real estate investment had also decreased significantly accordingly. The "Out Stock" policy by the Central PRC Government and other regulatory policies, will be conducive to long-term stable development of the real estate market in China. The Group will continue to closely monitor the development of our property development projects in Guangdong Province, and will actively adjust development strategies to capture new market opportunities.

Looking ahead, the Group will continue to build on from our existing businesses, and will actively looking for new investment opportunities to steadily enhance the Group's profitability and the return of the shareholders.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue and results

Revenue for the year ended 31 March 2016 dropped significantly from approximately HK\$1,190,641,000 for the year ended 31 March 2015 to approximately HK\$666,873,000 for the year ended 31 March 2016. The revenue was mainly contributed by the trading of electronic parts and components business.

Loss attributable to owners of the Company increased from approximately HK\$4,108,000 for the year ended 31 March 2015 to approximately HK\$110,611,000 for the year ended 31 March 2016. The loss per share was 3.53 HK cents (2015: 0.17 HK cent).

### Segment Information

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

Due to a downturn in the mobile phones and tablet markets which in turn resulted in decrease in demand for LCD panel and modules and also the declining market selling prices of the products, turnover for the year amounted to approximately HK\$662,345,000, representing a 44.0% drop in turnover from last year of approximately HK\$1,182,848,000; gross profit margin for the year is 3.02%, which is lower than the margin of 3.73% for the preceding year. The relatively low turnover during the year whilst operating costs remaining at high level has negatively impacted the operating results for the year. This segment incurred a loss of approximately HK\$8,818,000 for the year whilst it had a profit of approximately HK\$6,454,000 for the preceding year.

Although this trading business recorded operating losses for the year and its future profitability is estimated to be decreased, the cash-generating units of this trading business demonstrates sufficient cashflow projection that justifies the carrying value of the goodwill and accordingly, no impairment of goodwill is considered necessary.

#### *Property development*

The Group has 2 vacant lands of total site area of approximately 16,128 square meters in Yangjiang City, Guangdong Province, the PRC for commercial and residential development. No revenue attributable to the property development segment was recorded (2015: Nil) as the development has not yet commenced. Write-down of properties under development of approximately HK\$15,295,000 (2015: Nil) has been recognised in the current year in view of the adverse changes in the local market conditions and the further delay in the commencement of the development.

Apart from the direct development by its subsidiaries, the Group is also engaged in property development through its two associates (the "Associates"). During the year ended 31 March 2016, the Group shared a loss of approximately HK\$21,903,000 (2015: approximately HK\$1,190,000) from the Associates as the Associates have been suffered greater losses caused by the downturn in the real estate market and because of a provision for impairment loss was also affixed. In addition to the share of loss, the Group also made a provision for impairment loss on investments in the Associates of approximately HK\$24,948,000 (2015: Nil) due to the current market downturn in the property industry in the PRC.

## Management Discussion and Analysis

### *Property investment*

Revenue for the year ended 31 March 2016 decreased by 41.9% from approximately HK\$7,793,000 for 2015 to approximately HK\$4,528,000 for 2016. The decrease is mainly due to the disposal of a subsidiary engaging in property leasing services and a subsidiary engaging in property investment and its principal asset is the property located at Flat A, 52th Floor, Tower 2, Manhattan Hill, No.1 Po Lun Street, Kowloon, Hong Kong. The disposals incurred losses totaling approximately HK\$2,973,000 for the year. This segment recorded a loss of approximately HK\$2,273,000 for the year whilst it recorded a profit of approximately HK\$6,486,000 for the preceding year. The increase in loss is mainly due to losses on disposal of subsidiaries and also the decrease in fair value of investment properties of approximately HK\$2,200,000 for 2016 whilst increase in fair value of approximately HK\$6,000,000 for 2015.

### **Liquidity and financial resources**

The Group financed its operations with the revenue generated from its operations, the net proceeds from placement and banking facilities provided by its bankers in Hong Kong. At 31 March 2016, the Group had total indebtedness of approximately HK\$133,377,000 which comprised of bank and other loans, long term bonds, promissory note and finance lease payables (2015: approximately HK\$220,727,000 which comprised of bank and other loans, long term bonds, convertible bonds and finance lease payables).

70.0% (2015: 81.9%) of the indebtedness are considered as current liabilities and repayable within one year, 30.0% (2015: 18.1%) are repayable in 2020. HK and US dollar denominated indebtedness accounted for 64.8% (2015: 50.3%) and 35.2% (2015: 49.7%) of the total indebtedness respectively.

38.2% (2015: 57.4%) of the indebtedness are interest bearing bank loans on floating rate terms, the effective annual interest rates range from 2.25% to 4.00% (2015: 2.25% to 5.00%); 30.0% (2015: 18.1%) are seven-year 5% coupon straight bonds due 2020; 28.5% (2015: Nil) are non-interest bearing promissory note which was denominated in HK dollars, due on the date immediately following two years after the date of issue of the note; none (2015: 20.8%) are 4% convertible bonds due 2015 and 3.0% (2015: 3.4%) of indebtedness are interest bearing other loans at fixed interest rate of 1% per month and the remaining 0.3% (2015: 0.3%) are interest bearing finance lease obligation at fixed interest rate.

At 31 March 2016, the Group had cash reserves of approximately HK\$38,886,000 (2015: approximately HK\$58,470,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC. 99.2% (2015: 93.8%) of the Group's cash and cash equivalents (comprising cash on hand and bank balances) were denominated in HK dollar or US dollar, whereas 0.8% (2015: 6.2%) were denominated in Renminbi.

The gearing ratio as at 31 March 2016 was 59.4% (2015: 85.1%). The gearing ratio was derived by dividing the total indebtedness of approximately HK\$133,377,000 (2015: approximately HK\$220,727,000) by the amount of shareholders' equity of approximately HK\$224,436,000 (2015: approximately HK\$259,258,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 109.3% (2015: 117.5%).

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

## Management Discussion and Analysis

To strengthen its cash resources and working capital position, on 20 August 2015, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a fully underwritten basis not less than six placees, all of which were independent third parties, to subscribe for 447,000,000 new ordinary shares at the placing price of HK\$0.095 per placing share. The net price for each placing share was approximately HK\$0.092. The closing price of the Company's share on 20 August 2015, being the last trading date immediately before the entering into the placing agreement was HK\$0.114. The placement was completed on 4 September 2015. The net proceeds from the placing were intended to be used for general working capital of the Group and the net proceeds were used as intended.

### FOREIGN EXCHANGE EXPOSURE

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

### SHARE STRUCTURE

The capital of the Company comprises only ordinary shares. As at 31 March 2016, the total number of ordinary shares of the Company was 3,586,291,946 shares.

7,000,000 new shares were issued and allotted during the year upon exercise of share options granted by the Company. Share premium increased by approximately HK\$1,639,000 accordingly.

466,198,979 new shares were issued and allotted during the year as a result of the conversion of the convertible bonds. Share premium increased by approximately HK\$101,208,000 accordingly.

Pursuant to the placing agreement dated 20 August 2015, 447,000,000 ordinary shares of the Company were issued and allotted on 4 September 2015 at a price of HK\$0.095 per share. Share premium increased by approximately HK\$38,978,000 accordingly. Details of the transaction are set out in the Company's announcement dated 20 August 2015 and 4 September 2015.

Save as disclosed above, there was no change in the capital structure of the Company during the year ended 31 March 2016.

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

During the year ended 31 March 2016, the Group completed the acquisition of 70 shares of Coulman International Limited ("Coulman"), representing 7% of the entire issued share capital of Coulman, from an independent third party for a total consideration of HK\$63,000,000. A promissory note in the principal amount of HK\$38,000,000 was issued by the Company to the vendor as part of the consideration and the remaining of HK\$25,000,000 had been satisfied by cash. Coulman is an investment holding company and its non-wholly-owned subsidiaries operate in natural gas business, including construction of pipelines, selling and distribution of natural gas, operation of fueling stations as well as installation of natural gas equipment in the PRC. Details of the transaction were set out in the Company's announcements dated 28 January 2016.



## Management Discussion and Analysis

Save as disclosed, the Group did not have any other significant external investment plans for the year ended 31 March 2016. There was no plan authorised by the Board for any material investments or other additions of capital assets at the date of this report.

### MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 March 2016, the Group completed the disposal of the entire interest of Star Global Industries Limited ("Star Global") and a shareholder loan to an independent third party for a cash consideration of HK\$22,400,000. Star Global is principally engaged in property investment and its principal asset is the property located at Flat A, 52th Floor, Tower 2, Manhattan Hill, No.1 Po Lun Street, Kowloon, Hong Kong. The proceeds from the disposal were used as general working capital of the Group. Details of the transaction were set out in the Company's announcements dated 23 October 2015.

Save as disclosed, the Group did not make any other material acquisitions or disposals during the year ended 31 March 2016.

### CHARGES ON THE GROUP'S ASSETS

As at 31 March 2016, the Group pledged the following assets to secure loans and bank loan facilities of the Group:

- (i) the investment properties with fair value of HK\$9,500,000 (2015: HK\$45,700,000);
- (ii) the leasehold properties with carrying amount of approximately HK\$4,606,000 (2015: approximately HK\$4,716,000); and
- (iii) bank deposits of approximately HK\$20,564,000 (2015: approximately HK\$26,227,000).

And, a leased motor vehicle with carrying amount of approximately HK\$437,000 (2015: two leased motor vehicles with carrying amounts of approximately HK\$818,000) was charged to secure the Group's finance lease payables.

### CONTINGENT LIABILITIES

During the year ended 31 March 2016, a wholly-owned subsidiary of the Company was under tax investigation by the Shenzhen Provisional Office of State Administration of Taxation regarding the receipt of factitious Value-Added Tax ("VAT") invoice from certain suppliers for the period from November 2013 to January 2015 as those suppliers were under tax investigation by respective provisional office of State Administration of Taxation. Up to the reporting period end date, the case was still undergoing and the Group considered the probability to win the case was remote, a provision of approximately HK\$6,012,000 was made regarding the overdue payment and the non-deductible input VAT from these suppliers.

## Management Discussion and Analysis

As at 31 March 2015, ETC Technology Limited (“ETC”) entered into a guarantee agreement with a bank providing a guarantee with respect to a mortgage loan granted by the bank to a related party of ETC since 2011, of which HK\$2,309,000 was outstanding as at 31 March 2015. Under the guarantee agreement, ETC would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. The fair value of the guarantee at date of inception was not material and was not recognised in the consolidated financial statements as the directors considered that it was not probable that the repayment of the loan would be default.

Except for the above, the Group did not have any significant contingent liabilities as at 31 March 2016 (2015: Nil).

### EMPLOYEE INFORMATION

As at 31 March 2016, the Group had an aggregate of 50 (2015: 50) employees of which 30 (2015: 34) were based in Hong Kong while the rest were located in the PRC. The Group’s employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors’ emoluments, amounted to approximately HK\$25,717,000 for the year ended 31 March 2016 (2015: approximately HK\$18,546,000). Share options and bonuses are also available to the Group’s employees at the discretion of the Directors and depending upon the financial performance of the Group.

## Biographical Details of Directors

### DIRECTORS

#### Executive Directors

**Mr. So Loi Fat (“Mr. So”)**, aged 58, was appointed as an executive Director and the chairman of the Group on 7 January 2014. Mr. So is the father of Mr. Su Minzhi, an executive Director. Mr. So is responsible for formulating the overall business plan and the corporate strategies of the Group. Mr. So has over 30 years of experience in textile, mining and real estate development businesses in the PRC. Before his appointment as an executive Director and the chairman of the Group, Mr. So was the general manager of a textile manufacturing company in the PRC and instrumental in promoting the company to become one of the well-known enterprises in Fujian Province, the PRC. In relation to Mr. So’s previous career history, he was the managing director of a company engaged in mining industry in the PRC where his responsibility was to oversee the development, layout and management of a goldmine and a coalmine located in Jiuquan district of Gansu Province, the PRC. In addition, Mr. So was also employed as the managing director of a company engaged in real estate development in the PRC and was responsible for overseeing the real estate projects in Beijing. Currently, Mr. So is a honorary life-chairman of the Association of Hong Kong Quanzhou Charity Promotion Limited and a honorary chairman of Chamber of Commerce of Fujian Gansu Province.

**Mr. Su Minzhi (“Mr. Su”)**, aged 32, was appointed as an executive Director on 8 April 2015 and is also a director of certain subsidiaries of the Company. Mr. Su is the son of Mr. So Loi Fat, the chairman of the Group. Mr. Su has been an assistant to director of a property development company in the PRC since 2004. Mr. Su is responsible for financial management and investment analysis. Mr. Su has also involved in various property development projects and his major responsibilities in those projects were construction management, sales management and project controlling and supervising. Mr. Su has over 10 years’ experience in property development business in the PRC. In addition, Mr. Su assisted the property development company to acquire a mining company in the PRC in 2012. The mining company owns two mines in Gansu Province. Mr. Su has worked as assistant general manager of that mining company since September 2012 and he is responsible for business management and development.

**Mr. Chen Dongquan (“Mr. Chen”)**, aged 39, was newly appointed as an executive Director on 29 January 2016 and is also a director of certain subsidiaries of the Company. Mr. Chen is a holder of Bachelor degree in Business Administration from the National University of Singapore. Before joining the Company, Mr. Chen has worked in various financial institutions in Singapore and Hong Kong for over 15 years. During recent years, from 2010 to 2013, Mr. Chen was a Senior Vice President, Private Finance China, FICC of Macquarie Group in Hong Kong. From 2013 to 2015, Mr. Chen was a director of Venture Markit International Capital Management Ltd. He has extensive experience in corporate finance advisory services especially equity and debt financing.



## Biographical Details of Directors

### DIRECTORS *(Continued)*

#### Independent non-executive Directors

**Mr. Chiu Wai Piu (“Mr. Chiu”)**, aged 69, was appointed as an independent non-executive Director on 30 July 2010. Mr. Chiu is a very experienced and reputable journalist and has over 40 years of experience in journalism. He has been a reporter, an editor, the main news assignment editor, a local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in “One Country Two Systems Research Institute”. Mr. Chiu has been the founding treasurer and the second-session chairman of the “Hong Kong Federation of Journalists”. In 2006, he was elected as the Vice Secretary – General & Treasurer in the new session of re-election of committee members of the “Hong Kong Federation of Journalists”; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognised. Mr. Chiu served as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited (now known as U-Home Group Holdings Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 2327) from September 2008 to September 2013. Mr. Chiu currently serves as the independent non-executive director of Global Strategic Group Limited (a company listed on the GEM Board of the Stock Exchange, stock code: 8007), PetroAsian Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 850) and Addchance Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3344), all of which are companies listed on the Stock Exchange.

**Mr. Miu Hon Kit (“Mr. Miu”)**, aged 48, was newly appointed as an independent non-executive Director on 1 March 2016. Mr. Miu is a qualified practising accountant with over 20 years of professional experience in auditing, accounting, compliance, corporate finance and private equity investment. Mr. Miu is currently a partner of Tawau Capital Partners Limited, a company principally engaged in private equity/venture capital investments, management consultancy and financial advisory. Furthermore, he is also a director of LMN Certified Public Accountants Limited since March 2015 and executive director of FM China Fund Limited since January 2016. He is also an independent non-executive director of Kong Sun Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 295) since July 2014. Mr. Miu has been appointed as an adjunct professor of the Department of Finance, Faculty of Business Administration, Chinese University of Hong Kong since 2013.

Mr. Miu has extensive corporate finance and private equity/venture capital investment experience and formerly held senior investment roles in the private equity/principal investment department of Daiwa Capital Markets (Hong Kong) and direct investment arm of State Street Global Advisors. He has also worked at Rothschild Asset Management and KPMG Hong Kong.

Mr. Miu is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also admitted to the membership of The Institute of Chartered Accountants in England and Wales.

Mr. Miu received a Bachelor of Arts in Accountancy with Honours from City University of Hong Kong and a Master of Business Administration in Management from Imperial College London.

**Mr. Li Shiu Ki, Ernest (“Mr. Li”)**, aged 49, was newly appointed as an independent non-executive Director on 1 March 2016. Mr. Li is a practising solicitor in Hong Kong. Mr. Li graduated with a degree of Laws from the University of Hong Kong and was admitted as a solicitor of the High Court of Hong Kong in 1995. He is currently the principal of Ernest Li & Co., Solicitors.

## Report of the Directors

The Directors hereby submit their report together with the audited consolidated financial statements for the year ended 31 March 2016.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Group is principally engaged in the trading of electronic parts and components in relation to display modules and touch panel modules.

An analysis of the Group's performance by operating segments for the year ended 31 March 2016 is set out in note 10 to the consolidated financial statements.

Particulars of the Company's subsidiaries and associates as at 31 March 2016 are set out in notes 23 and 26 respectively to the consolidated financial statements.

### BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business are provided in the section headed "Chairman's Statement" on page 5 and "Management Discussion and Analysis" on pages 6 to 12 of this report.

### Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the section headed "Management Discussion and Analysis" on pages 6 to 12 of this report. In addition, various financial risks have been disclosed in note 6 to the consolidated financial statements.

### An analysis using financial key performance indicators

An analysis of the Group's performance during the year ended 31 March 2016 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 6 to 12 of this report.

### Environmental protection

The Group recognises its responsibility to protect the environment from its business activities. The Group has endeavored to comply with laws and regulations regarding environmental protection and encourages environmental protection and promotes awareness towards environmental protections to the employees.

### Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of Group.

# Report of the Directors

## **BUSINESS REVIEW** *(Continued)*

### **Relationships with employees, customers and suppliers**

The Group understands that employees are valuable assets. The Group ensures all employees is reasonably remunerated and regularly reviews the remuneration package of employees and other benefits. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its short and long-term goals.

### **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 37 to 39 of this report.

The Directors do not recommend the payment of a dividend (2015: Nil).

### **RESERVES**

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 42(b) to the consolidated financial statements.

### **DISTRIBUTABLE RESERVES**

No distributable reserves of the Company was recorded as at 31 March 2016. Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the articles of association of the Company, and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

### **EQUITY-LINKED AGREEMENTS**

Save as disclosed in the section headed "Share Options" of this Directors' Report and "Share-based payments" in note 44 to the consolidated financial statements, no equity-linked agreement was entered into by the Company during the year or subsisting at the end of the year.

### **FIXED ASSETS**

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 19 and 20 respectively to the consolidated financial statements.

### **PRINCIPAL PROPERTIES**

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



## Report of the Directors

### SHARES ISSUED DURING THE YEAR

Details of the shares issued during the year ended 31 March 2016 are set out in note 41 to the consolidated financial statements.

### BORROWINGS

Details of the Group's borrowings as at 31 March 2016 are set out in note 34 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

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

### FIVE YEAR FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the last five financial years is set out on page 128 of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2016.

### SHARE OPTIONS

#### (i) 2003 Share Option Scheme

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

# Report of the Directors

## SHARE OPTIONS *(Continued)*

### (i) 2003 Share Option Scheme *(Continued)*

Movements in the outstanding share options granted under the 2003 Share Option Scheme during the year ended 31 March 2016 are set out below.

| Name                                | Date of grant | Number of Share Options        |   |                         |                           |                        | Outstanding as at 31 March 2016 | Approximate percentage of the issued share capital | Option period               | Consideration for the grant of the option HK\$ | Exercise price per share HK\$ |
|-------------------------------------|---------------|--------------------------------|---|-------------------------|---------------------------|------------------------|---------------------------------|--|-----------------------------|--|-------------------------------|
|                                     |               | Outstanding as at 1 April 2015 | Transferred from/(to) other category during the year (Note 1) | Granted during the year | Exercised during the year | Lapsed during the year |                                 |  |                             |  |                               |
| Executive Directors                 |               |                                |   |                         |                           |                        |                                 |  |                             |  |                               |
| Mr. Choi Ho Yan                     | 29 June 2011  | 3,000,000                      | (3,000,000)   | –                       | –                         | –                      | –                               | –  | 29 June 2011 – 28 June 2021 | 1.00   | 0.140                         |
| Mr. So Haw, Herman (Note 2)         | 29 June 2011  | 1,000,000                      | –   | –                       | –                         | (1,000,000)            | –                               | –  | 29 June 2011 – 28 June 2021 | 1.00   | 0.140                         |
| Independent Non-executive Directors |               |                                |   |                         |                           |                        |                                 |  |                             |  |                               |
| Mr. Chiu Wai Piu                    | 29 June 2011  | 500,000                        | –   | –                       | –                         | –                      | 500,000                         | 0.01%  | 29 June 2011 – 28 June 2021 | 1.00   | 0.140                         |
| Other Participants                  |               |                                |   |                         |                           |                        |                                 |  |                             |  |                               |
| Employees in aggregate (Note 3)     | 29 June 2011  | 7,000,000                      | 3,000,000   | –                       | –                         | (3,000,000)            | 7,000,000                       | 0.20%  | 29 June 2011 – 28 June 2021 | 1.00   | 0.140                         |
|                                     |               | 11,500,000                     | –   | –                       | –                         | (4,000,000)            | 7,500,000                       | 0.21%  |                             |  |                               |

#### Notes:

- Mr. Choi Ho Yan resigned as an executive Director with effect from 1 September 2015 and was engaged as an advisor of the Company with effect from 1 September 2015.
- Mr. So Haw, Herman resigned as an executive Director with effect from 1 September 2015. According to the 2003 Share Option Scheme, he may exercise the share options within the period of one month following the date of his resignation. The relevant share options have been lapsed on 1 October 2015.
- Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

# Report of the Directors

## SHARE OPTIONS (Continued)

### (ii) 2013 Share Option Scheme

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

Movements in the outstanding share options granted under the 2013 Share Option Scheme during the year ended 31 March 2016 are set out below.

| Name                                | Date of grant | Number of Share Options        |   |                         |                                   |                        | Outstanding as at 31 March 2016 | Approximate percentage of the issued share capital | Option period                 | Consideration for the grant of the option HK\$ | Exercise price per share HK\$ |
|-------------------------------------|---------------|--------------------------------|---|-------------------------|-----------------------------------|------------------------|---------------------------------|--|-------------------------------|--|-------------------------------|
|                                     |               | Outstanding as at 1 April 2015 | Transferred from/(to) other category during the year (Note 1) | Granted during the year | Exercised during theyear (Note 2) | Lapsed during the year |                                 |  |                               |  |                               |
| Executive Directors                 |               |                                |   |                         |                                   |                        |                                 |  |                               |  |                               |
| Mr. Choi Ho Yan                     | 28 March 2013 | 3,000,000                      | (3,000,000)   | –                       | –                                 | –                      | –                               | –  | 28 March 2013 – 27 March 2023 | 1.00   | 0.150                         |
| Mr. So Haw, Herman (Note 3)         | 28 March 2013 | 3,000,000                      | –   | –                       | –                                 | (3,000,000)            | –                               | –  | 28 March 2013 – 27 March 2023 | 1.00   | 0.150                         |
| Independent Non-executive Directors |               |                                |   |                         |                                   |                        |                                 |  |                               |  |                               |
| Mr. Chiu Wai Piu                    | 28 March 2013 | 1,150,000                      | –   | –                       | –                                 | –                      | 1,150,000                       | 0.03%  | 28 March 2013 – 27 March 2023 | 1.00   | 0.150                         |
| Chief Executive                     |               |                                |   |                         |                                   |                        |                                 |  |                               |  |                               |
| Mr. Wong Chun Wai                   | 28 March 2013 | 3,000,000                      | (3,000,000)   | –                       | –                                 | –                      | –                               | –  | 28 March 2013 – 27 March 2023 | 1.00   | 0.150                         |
| Other Participants                  |               |                                |   |                         |                                   |                        |                                 |  |                               |  |                               |
| Employees in aggregate (Note 4)     | 28 March 2013 | 37,500,000                     | 6,000,000   | –                       | (6,000,000)                       | (3,000,000)            | 34,500,000                      | 0.96%  | 28 March 2013 – 27 March 2023 | 1.00   | 0.150                         |
| Other eligible participants         | 28 March 2013 | 1,000,000                      | –   | –                       | (1,000,000)                       | –                      | –                               | –  | 28 March 2013 – 27 March 2023 | 1.00   | 0.150                         |
|                                     |               | 48,650,000                     | –   | –                       | (7,000,000)                       | (6,000,000)            | 35,650,000                      | 0.99%  |                               |  |                               |

#### Notes:

- Mr. Choi Ho Yan resigned as an executive Director with effect from 1 September 2015 and was engaged as an advisor of the Company with effect from 1 September 2015. Mr. Wong Chun Wai resigned as the chief executive officer of the Company with effect from 3 April 2015 but remained as the director of a subsidiary of the Company.
- The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$0.148.
- Mr. So Haw, Herman resigned as an executive Director with effect from 1 September 2015. The relevant share options have been lapsed on 1 September 2015.
- Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).



## Report of the Directors

### SHARE OPTIONS *(Continued)*

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

**(a) Purpose**

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

**(b) Participants**

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

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

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

As at the date of this report, a total of 38,688,837 shares which represented 1.08% of the issued share capital of the Company shall be the maximum number of shares available for issue at the date of this report.

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

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

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

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

## Report of the Directors

### SHARE OPTIONS *(Continued)*

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

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

#### (g) Price of shares

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

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

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

### DIRECTORS

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

#### Executive Directors

Mr. So Loi Fat (*Chairman*)  
Mr. Choi Ho Yan (resigned on 1 September 2015)  
Mr. So Haw, Herman (resigned on 1 September 2015)  
Mr. Wong Shiu Wah, Williamson (resigned on 1 March 2016)  
Mr. Su Minzhi (appointed on 8 April 2015)  
Mr. Chen Dongquan (appointed on 29 January 2016)

#### Independent Non-executive Directors

Mr. Chiu Wai Piu  
Mr. Tam Kin Yip (resigned on 1 March 2016)  
Mr. Tam Yiu Cheung (resigned on 1 March 2016)  
Mr. Miu Hon Kit (appointed on 1 March 2016)  
Mr. Li Shiu Ki, Ernest (appointed on 1 March 2016)

In accordance with Article 86(3) of the Company's articles of association, Mr. Chen Dongquan, Mr. Miu Hon Kit and Mr. Li Shiu Ki, Ernest will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offers themselves for re-election.

## Report of the Directors

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

In accordance with Article 87 of the Company's articles of association, Mr. So Loi Fat will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

Each of Mr. Chiu Wai Piu, Mr. Miu Hon Kit and Mr. Li Shiu Ki, Ernest has entered into a letter of appointment with the Company for a term of two years commencing from 30 July 2014, 1 March 2016 and 1 March 2016 respectively.

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

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in note 16 and 15 respectively to the consolidated financial statements.

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

The Company has adopted share option scheme as an incentive to Directors and eligible employees, details of the share option scheme are set out in the Share Options section above and in note 44 to the consolidated financial statements.

### **DIRECTORS' SERVICE CONTRACTS**

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

### **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS**

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

### **BIOGRAPHICAL DETAILS OF DIRECTORS**

The biographical details of Directors at the date of this report are set out in the Biographical Details of Directors section on pages 13 to 14 of this report.



## Report of the Directors

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

As at 31 March 2016, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

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

| Name of Director | Capacity         | Nature of interest | Number of shares held | Number of shares issuable under share options granted<br>(Note 1) | Approximate percentage of issued share capital |
|------------------|------------------|--------------------|-----------------------|---|--|
| <b>Director:</b> |                  |                    |                       |   |  |
| Mr. Su Minzhi    | Beneficial owner | Personal interest  | 46,496,000            | –   | 1.30%  |
| Mr. Chiu Wai Piu | Beneficial owner | Personal interest  | –                     | 1,650,000   | 0.05%  |

*Note:*

- Details are set out in the Share Options section above. All of the share options are physically settled equity derivatives

Save as disclosed above, as at 31 March 2016, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors (including their spouse and children under 18 years or age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any associated corporation.

## Report of the Directors

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2016, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

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

| Name of substantial shareholders                         | Capacity                           | Nature of interest             | Number of shares held | Total       | Approximate percentage of the issued share capital |
|--|------------------------------------|--------------------------------|-----------------------|-------------|--|
| Mr. Fang Gang  | Beneficial owner                   | Personal interest<br>(Note 1)  | 433,808,000           | 900,006,979 | 25.10%   |
|  | Interest in controlled corporation | Corporate interest<br>(Note 1) | 466,198,979           |             |  |
| Fuze Investments Limited                                 | Beneficial owner                   | Corporate interest<br>(Note 1) | 466,198,979           | 466,198,979 | 13.00%   |
| China Oil Resources Group Limited ("China Oil")          | Beneficial owner                   | Corporate interest<br>(Note 2) | 355,571,722           | 355,571,722 | 9.91%  |
| PetroAsian Energy Holdings Limited ("PetroAsian Energy") | Interest in controlled corporation | Corporate interest<br>(Note 2) | 355,571,722           | 355,571,722 | 9.91%  |
| Mr. Kwok Lung  | Beneficial owner                   | Personal interest              | 350,000,000           | 350,000,000 | 9.76%  |

#### Notes:

1. Fuze Investments Limited is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Fang Gang. Mr. Fang Gang and Fuze Investments Limited pledged his 433,808,000 shares and its 466,198,979 shares respectively to Kingston Finance Limited. Kingston Finance Limited is 100% controlled by Ample Cheer Limited, Ample Cheer Limited is 80% controlled by Best Forth Limited which is in turn 100% controlled by Ms. Chu Yuet Wah.
2. China Oil is wholly and beneficially owned by PetroAsian Energy. PetroAsian Energy is a company incorporated in the Cayman Islands whose shares are listed on the Main Board (stock code: 850).

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 March 2016.

## Report of the Directors

### MANAGEMENT CONTRACTS

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

### MAJOR SUPPLIERS AND CUSTOMERS

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

#### Purchases

|                                       |        |
|---------------------------------------|--------|
| – the largest supplier                | 71.75% |
| – five largest suppliers in aggregate | 97.43% |

#### Sales

|                                       |        |
|---------------------------------------|--------|
| – the largest customer                | 24.27% |
| – five largest customers in aggregate | 62.67% |

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

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at 27 June 2016.

### PERMITTED INDEMNITY

In accordance with the articles of association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

The Company has also taken out and maintained Directors' and officers' liability insurance for the purpose of indemnifying for losses in respect of potential legal actions against the Directors and other officers of the Company.



## Report of the Directors

### RETIREMENT BENEFIT COSTS

The retirement schemes of the Company and its subsidiaries are primarily in form of contributions to Hong Kong mandatory provident fund and China statutory public welfare fund.

### CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 27 to 34 of this report.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

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

### EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2016 and up to the date of this report.

### AUDITOR

At the last annual general meeting of the Company, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015 our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

The consolidated financial statements for the year ended 31 March 2016 have been audited by RSM Hong Kong who retire and, being eligible, offers themselves for re-appointment. A resolution for re-appointment of RSM Hong Kong as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Chen Dongquan**

*Executive Director*

Hong Kong, 27 June 2016

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2016, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules except for the deviations from code provisions A.2.1 and E.1.2 which are explained in the relevant sections below.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions of the Company. The Company has made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2016.

The Company's code of conduct also applies to all employees who are likely to be in the possession of inside information of the Company. No incident of non-compliance of the Company's code of conduct by the employees was noted by the Company.

## BOARD OF DIRECTORS

The board of Directors (the "Board") of the Company currently comprises a total of six Directors, with three executive Directors namely Mr. So Loi Fat (as Chairman), Mr. Su Minzhi, and Mr. Chen Dongquan and three independent non-executive Directors namely Mr. Chiu Wai Piu, Mr. Miu Hon Kit and Mr. Li Shiu Ki, Ernest. A list containing the names of the Directors and their roles and functions is published on the Company's website and the GEM website at [www.hkgem.com](http://www.hkgem.com). Mr. So Loi Fat is the father of Mr. Su Minzhi. Save as disclosed, to the best knowledge of the Company, there is no financial, business, family or other material or relevant relationship between the members of the Board.

The Company complies at all times during the year under review with the minimum requirements under the Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules respectively relating to the appointment of at least three independent non-executive Directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise and the independent non-executive Directors represent at least one-third of the Board. Their biographies are set out in the Biographical Details of Directors section on pages 13 to 14 of this report.

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

# Corporate Governance Report

## BOARD OF DIRECTORS *(Continued)*

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

Eleven Board meetings and one general meeting were held during the year ended 31 March 2016. The respective attendance of each of the Directors was as follows:–

| Name of Director   | Number of meetings attended/held |                        |
|--|----------------------------------|------------------------|
|  | Board                            | Annual General Meeting |
| <i>Executive Directors</i>                               |                                  |                        |
| Mr. So Loi Fat   | 10/11                            | 0/1                    |
| Mr. Choi Ho Yan (resigned on 1 September 2015)           | 5/5                              | 1/1                    |
| Mr. So Haw, Herman (resigned on 1 September 2015)        | 4/5                              | 1/1                    |
| Mr. Wong Shiu Wah, Williamson (resigned on 1 March 2016) | 11/11                            | 1/1                    |
| Mr. Su Minzhi (appointed on 8 April 2015)                | 10/10                            | 1/1                    |
| Mr. Chen Dongquan (appointed on 29 January 2016)         | 2/2                              | 0/0                    |
| <i>Independent non-executive Directors</i>               |                                  |                        |
| Mr. Chiu Wai Piu   | 11/11                            | 1/1                    |
| Mr. Tam Kin Yip (resigned on 1 March 2016)               | 11/11                            | 1/1                    |
| Mr. Tam Yiu Cheung (resigned on 1 March 2016)            | 11/11                            | 1/1                    |
| Mr. Miu Hon Kit (appointed on 1 March 2016)              | 0/0                              | 0/0                    |
| Mr. Li Shiu Ki, Ernest (appointed on 1 March 2016)       | 0/0                              | 0/0                    |

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company. Mr. So Loi Fat, the chairman of the Board did not attend the annual general meeting of the Company held on 28 August 2015 due to his other prior business engagement. Four (out of five) executive Directors and the chairman and all members of each of the audit, remuneration and nomination committees of the Board attended the annual general meeting. The Company considers that their presence is sufficient for addressing the queries from, and maintaining effective communication with, the shareholders attending the annual general meeting.

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



## Corporate Governance Report

### DIRECTORS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the Directors' and Officers' liabilities in respect of potential legal actions against the Directors and officers of the Company. Such Directors' and Officers' liability insurance was reviewed and renewed annually. Throughout the year ended 31 March 2016, no claims under the insurance policy were made.

### CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Training was provided for Mr. Su Minzhi, Mr. Chen Dongquan, Mr. Miu Hon Kit and Mr. Li Shiu Ki, Ernest upon their joining the Board. The training covers an overview of directors' responsibilities as well as other key governance issues. During the year, all Directors have received regular updates on the Company's business and written materials describing changes to the GEM Listing Rules and other relevant rules and regulations. All Directors have been required to provide the Company with their training records for the year ended 31 March 2016. All Directors have participated in appropriate continuous professional development activities during the year under review.

### CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual.

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

Mr. So Loi Fat held the offices of chairman of the Board since January 2014. Following the resignation from the post of chief executive officer of the Group of Mr. Wong Chun Wai on 3 April 2015 due to his personal intention to spend more time with his family, the role of chief executive officer has been left vacant and the day-to-day management of the Group was led by Mr. So Loi Fat. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group with consistent leadership in the Company's decision making process and operational efficiency.

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established three committees, namely the nomination committee (the “Nomination Committee”), the remuneration committee (the “Remuneration Committee”) and the audit committee (the “Audit Committee”) with defined terms of reference.

### Nomination Committee

The Nomination Committee was established on 30 March 2012. It currently comprises three independent non-executive Directors namely Mr. Chiu Wai Piu (as Chairman), Mr. Miu Hon Kit and Mr. Li Shiu Ki, Ernest.

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

During the year ended 31 March 2016, four Nomination Committee meetings were held. The respective attendance of each of the members of the Nomination Committee was as follows:–

| Name of Nomination Committee member                | Number of meetings attended/held |
|--|----------------------------------|
| Mr. Chiu Wai Piu                                   | 4/4                              |
| Mr. So Haw, Herman (resigned on 1 September 2015)  | 1/2                              |
| Mr. Tam Kin Yip (resigned on 1 March 2016)         | 4/4                              |
| Mr. Tam Yiu Cheung (resigned on 1 March 2016)      | 4/4                              |
| Mr. Miu Hon Kit (appointed on 1 March 2016)        | 0/0                              |
| Mr. Li Shiu Ki, Ernest (appointed on 1 March 2016) | 0/0                              |

### Remuneration Committee

The Remuneration Committee was established in May 2005. It currently comprises three independent non-executive Directors namely Mr. Li Shiu Ki, Ernest (as Chairman), Mr. Chiu Wai Piu and Mr. Miu Hon Kit.

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

## Corporate Governance Report

### BOARD COMMITTEES *(Continued)*

#### Remuneration Committee *(Continued)*

During the year ended 31 March 2016, four Remuneration Committee meetings were held. The respective attendance of each of the members of the Remuneration Committee was as follows:

| Name of Remuneration Committee member              | Number of meetings attended/held |
|--|----------------------------------|
| Mr. Chiu Wai Piu                                   | 4/4                              |
| Mr. Tam Kin Yip (resigned on 1 March 2016)         | 4/4                              |
| Mr. Tam Yiu Cheung (resigned on 1 March 2016)      | 4/4                              |
| Mr. Miu Hon Kit (appointed on 1 March 2016)        | 0/0                              |
| Mr. Li Shiu Ki, Ernest (appointed on 1 March 2016) | 0/0                              |

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

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

Details of the remuneration of each of the Directors for the year under review are set out in note 16(a) to the consolidated financial statements.

#### Audit Committee

The Audit Committee was established on 30 March 2002. It currently comprises three independent non-executive Directors namely Mr. Miu Hon Kit (as Chairman), Mr. Chiu Wai Piu and Mr. Li Shiu Ki, Ernest.

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



## Corporate Governance Report

### BOARD COMMITTEES *(Continued)*

#### Audit Committee *(Continued)*

During the year ended 31 March 2016, four Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:–

| Name of Audit Committee member                     | Number of meetings attended/held |
|--|----------------------------------|
| Mr. Chiu Wai Piu                                   | 4/4                              |
| Mr. Tam Kin Yip (resigned on 1 March 2016)         | 4/4                              |
| Mr. Tam Yiu Cheung (resigned on 1 March 2016)      | 4/4                              |
| Mr. Miu Hon Kit (appointed on 1 March 2016)        | 0/0                              |
| Mr. Li Shiu Ki, Ernest (appointed on 1 March 2016) | 0/0                              |

The following is a summary of work performed by the Audit Committee during the year ended 31 March 2016:

- (i) review of the annual report and the annual results announcement for the year ended 31 March 2015, with a recommendation to the Board for approval;
- (ii) review and approval of RSM Nelson Wheeler's (currently known as RSM Hong Kong) confirmation of independence, its report and the management letter for the year ended 31 March 2015, with a recommendation to the Board for the re-appointment of RSM Nelson Wheeler at the 2015 annual general meeting;
- (iii) review of the quarterly report and the quarterly results announcement for the three months ended 30 June 2015, with a recommendation to the Board for approval;
- (iv) review of the interim report and the interim results announcement for the six months ended 30 September 2015, with a recommendation to the Board for approval;
- (v) review of the quarterly report and the quarterly results announcement for the nine months ended 31 December 2015, with a recommendation to the Board for approval; and
- (vi) discuss with the external auditor the audit planning work (including the nature and scope of the audit and reporting obligations) in respect of the audit of the 2016 annual results of the Group, and approval of its audit fees.

Prior to the commencement of the audit of the Group's 2016 consolidated financial statements, the Audit Committee received written confirmation from the external auditor of its independence.

## Corporate Governance Report

### AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the year ended 31 March 2016 is presented as follows:

|                              | <b>Fees paid/payable</b><br><i>HK\$</i> |
|------------------------------|---|
| Statutory audit services     | 900,000                                 |
| Non-statutory audit services | 9,500                                   |

The non-statutory audit services included the taxation advisory services.

### ACCOUNTABILITY AND AUDIT

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

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

### INTERNAL CONTROL

The Board was responsible for overseeing the internal control of the Group. During the year ended 31 March 2016, the Directors had conducted a review of the effectiveness of the system of internal control in respect of the financial, operational, compliance controls and risk management function of the Group and the Company considers them effective and adequate.

### COMPANY SECRETARY

The company secretary of the Company during the period between:

- (a) 1 April 2015 and 21 May 2015 was Mr. Leung Wai Hong, who is a member of the Hong Kong Institute of Certified Public Accountants;
- (b) 11 June 2015 and 6 September 2015 was Mr. Chan Wing Fai, who is a member of the Hong Kong Institute of Certified Public Accountants;
- (c) 15 December 2015 and 29 February 2016 was Mr. Ho Kin Cheong, Kelvin, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants; and
- (d) 6 May 2016 and thereafter is Ms. Chang Kam Lai, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

During the year ended 31 March 2016, all company secretaries undertook not less than 15 hours of relevant professional training.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Procedures to convene an extraordinary general meeting

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

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

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

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

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

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

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

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

## INVESTORS RELATIONS

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

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2016, there were no changes to the memorandum and articles of association of the Company. An up to date consolidated version of the memorandum and articles of association of the Company is available on the website of the Company and the GEM.

## Independent Auditor's Report



### **TO THE MEMBERS OF GOLD TAT GROUP INTERNATIONAL LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Gold Tat Group International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 127, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

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



## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

### OPINION

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

**RSM Hong Kong**  
*Certified Public Accountants*

Hong Kong, 27 June 2016

## Consolidated Statement of Profit or Loss

For the year ended 31 March 2016

|   | Note          | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|---------------|------------------|------------------|
| <b>Continuing operations</b>                        |               |                  |                  |
| Revenue   | 8             | 666,873          | 1,190,641        |
| Cost of sales                                       |               | (642,325)        | (1,138,726)      |
| <b>Gross profit</b>                                 |               | <b>24,548</b>    | <b>51,915</b>    |
| Other net income                                    | 9             | 33               | 16,618           |
| Employment costs                                    | 15            | (25,717)         | (18,546)         |
| Research and development expenses                   |               | (952)            | (3,506)          |
| Depreciation  |               | (1,919)          | (1,980)          |
| Transportation expenses                             |               | (1,112)          | (4,809)          |
| Other operating expenses                            |               | (42,724)         | (30,729)         |
| Write-down of properties under development          | 29            | (15,295)         | –                |
| <b>(Loss)/profit from operations</b>                |               | <b>(63,138)</b>  | <b>8,963</b>     |
| Finance costs                                       | 11            | (6,869)          | (11,794)         |
| Impairment losses on investments in associates      | 26            | (24,948)         | –                |
| Losses on disposal of subsidiaries                  | 45(a) and (b) | (2,973)          | –                |
| Share of losses of associates                       |               | (21,903)         | (1,190)          |
| <b>Loss before tax</b>                              |               | <b>(119,831)</b> | <b>(4,021)</b>   |
| Income tax expense                                  | 12            | (129)            | (1,436)          |
| <b>Loss for the year from continuing operations</b> | 13            | <b>(119,960)</b> | <b>(5,457)</b>   |
| <b>Discontinued operations</b>                      |               |                  |                  |
| Profit for the year from discontinued operations    | 14            | –                | 3,905            |
| <b>Loss for the year</b>                            |               | <b>(119,960)</b> | <b>(1,552)</b>   |

## Consolidated Statement of Profit or Loss

For the year ended 31 March 2016

|  | Note | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Attributable to:</b>                            |      |                  |                  |
| Owners of the Company                              |      |                  |                  |
| – Continuing operations                            |      | (110,611)        | (7,598)          |
| – Discontinued operations                          |      | –                | 3,490            |
|  |      | (110,611)        | (4,108)          |
| Non-controlling interests                          |      |                  |                  |
| – Continuing operations                            |      | (9,349)          | 2,141            |
| – Discontinued operations                          |      | –                | 415              |
|  |      | (9,349)          | 2,556            |
| <b>Loss per share (HK cents)</b>                   | 18   |                  |                  |
| <i>From continuing and discontinued operations</i> |      |                  |                  |
| Basic  |      | (3.53)           | (0.17)           |
| Diluted  |      | N/A              | N/A              |
| <i>From continuing operations</i>                  |      |                  |                  |
| Basic  |      | (3.53)           | (0.32)           |
| Diluted  |      | N/A              | N/A              |

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

For the year ended 31 March 2016

|   | Note | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------|------------------|------------------|
| <b>Loss for the year</b>  |      | <b>(119,960)</b> | <b>(1,552)</b>   |
| <b>Other comprehensive income:</b>  |      |                  |                  |
| <i>Items that may be reclassified to profit or loss:</i>                              |      |                  |                  |
| Exchange differences on translating foreign operations                                |      | <b>(1,881)</b>   | 15               |
| Exchange differences reclassified to profit or loss on disposal of foreign operations |      | <b>48</b>        | (518)            |
| <b>Other comprehensive income for the year, net of tax</b>                            |      | <b>(1,833)</b>   | <b>(503)</b>     |
| <b>Total comprehensive income for the year</b>  |      | <b>(121,793)</b> | <b>(2,055)</b>   |
| <b>Attributable to:</b>   |      |                  |                  |
| Owners of the Company   |      |                  |                  |
| – Continuing operations   |      | <b>(112,222)</b> | (7,604)          |
| – Discontinued operations   |      | –                | 2,972            |
|   |      | <b>(112,222)</b> | <b>(4,632)</b>   |
| Non-controlling interests   |      |                  |                  |
| – Continuing operations   |      | <b>(9,571)</b>   | 2,162            |
| – Discontinued operations   |      | –                | 415              |
|   |      | <b>(9,571)</b>   | <b>2,577</b>     |



# Consolidated Statement of Financial Position

As at 31 March 2016

|  | Note  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>  |       |                  |                  |
| Property, plant and equipment                                    | 19    | 8,013            | 13,795           |
| Investment properties  | 20    | 9,500            | 45,700           |
| Goodwill   | 21    | 24,911           | 24,911           |
| Intangible assets  | 22    | 1,718            | –                |
| Available-for-sale financial assets                              | 25    | 63,229           | –                |
| Investments in associates  | 26    | 114,848          | 161,699          |
| Deposit for investment in<br>available-for-sale financial assets |       | 10,800           | –                |
| Deposit for acquisition of intangible assets                     |       | 11,788           | –                |
|  |       | <b>244,807</b>   | <b>246,105</b>   |
| <b>Current assets</b>  |       |                  |                  |
| Inventories  | 27    | 10,537           | 32,162           |
| Trade, bills and other receivables, deposits and<br>prepayments  | 28    | 115,912          | 128,298          |
| Due from an associate  | 26(a) | –                | 48,028           |
| Properties under development                                     | 29    | 45,680           | 61,014           |
| Put Option of convertible bonds                                  | 35    | –                | 4,690            |
| Pledged bank deposits  | 30    | 20,564           | 26,227           |
| Tax refundable   |       | 1,001            | –                |
| Bank and cash balances   | 30    | 38,886           | 58,470           |
|  |       | <b>232,580</b>   | <b>358,889</b>   |
| <b>Current liabilities</b>                                       |       |                  |                  |
| Trade and other payables and receipt in advance                  | 31    | 97,203           | 102,589          |
| Due to a non-controlling shareholder                             | 32    | –                | 372              |
| Due to an associate  | 26(a) | 22,201           | 21,497           |
| Bank and other loans   | 34    | 54,986           | 134,077          |
| Call Option of convertible bonds                                 | 35    | –                | 1                |
| Liability components of convertible bonds                        | 35    | –                | 45,922           |
| Finance lease payables   | 36    | 391              | 727              |
| Promissory note  | 37    | 38,000           | –                |
| Current tax liabilities  |       | –                | 377              |
|  |       | <b>212,781</b>   | <b>305,562</b>   |
| <b>Net current assets</b>  |       | <b>19,799</b>    | <b>53,327</b>    |
| <b>Total assets less current liabilities</b>                     |       | <b>264,606</b>   | <b>299,432</b>   |

# Consolidated Statement of Financial Position

As at 31 March 2016

|  | Note | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Non-current liabilities</b>               |      |                  |                  |
| Long term bonds                              | 38   | 40,000           | 40,000           |
| Deferred tax liabilities                     | 39   | 170              | 174              |
|  |      | 40,170           | 40,174           |
| <b>NET ASSETS</b>                            |      | 224,436          | 259,258          |
| <b>Capital and reserves</b>                  |      |                  |                  |
| Share capital                                | 41   | 28,025           | 20,847           |
| Reserves                                     | 43   | 143,994          | 175,550          |
| Equity attributable to owners of the Company |      | 172,019          | 196,397          |
| Non-controlling interests                    |      | 52,417           | 62,861           |
| <b>TOTAL EQUITY</b>                          |      | 224,436          | 259,258          |

Approved by the Board of Directors on 27 June 2016 and are signed on its behalf by:

**So Loi Fat**  
Director

**Chen Dongquan**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

|  | Attributable to owners of the Company |  |   |   |  |   |   |  |                                |                   | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|--|---------------------------------------|--|---|---|--|---|---|--|--------------------------------|-------------------|---------------------------------------|--------------------------|
|  | Share capital<br>HK\$'000             | Share premium account<br>HK\$'000<br>(note 43<br>(b)(i)) | Contributed surplus<br>HK\$'000<br>(note 43<br>(b)(ii)) | Capital redemption reserve<br>HK\$'000<br>(note 43<br>(b)(iii)) | Foreign currency translation reserve<br>HK\$'000<br>(note 43<br>(b)(iv)) | Share-based payments reserve<br>HK\$'000<br>(note 43<br>(b)(v)) | Warrant reserve<br>HK\$'000<br>(note 43<br>(b)(vi)) | Convertible bonds reserve<br>HK\$'000<br>(note 43<br>(b)(vii)) | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 |                                       |                          |
| At 1 April 2014  | 15,659                                | 125,369  | 16,375  | 2,943   | 1,093  | 9,788   | 7,400   | 119,302  | (184,045)                      | 113,884           | 59,344                                | 173,228                  |
| Total comprehensive income for the year                | -                                     | -  | -   | -   | (524)  | -   | -   | -  | (4,108)                        | (4,632)           | 2,577                                 | (2,055)                  |
| Shares issued upon exercise of warrants                | 936                                   | 19,224   | -   | -   | -  | -   | -   | -  | -                              | 20,160            | -                                     | 20,160                   |
| Shares issued upon conversion of convertible bonds     | 4,034                                 | 118,972  | -   | -   | -  | -   | -   | (60,141)   | -                              | 62,865            | -                                     | 62,865                   |
| Transactions costs attributable to issue of new shares | -                                     | (58)   | -   | -   | -  | -   | -   | -  | -                              | (58)              | -                                     | (58)                     |
| Disposal of subsidiaries (note 45(c))                  | -                                     | -  | -   | -   | -  | -   | -   | -  | -                              | -                 | 940                                   | 940                      |
| Shares issued upon exercise of share options           | 218                                   | 6,494  | -   | -   | -  | (2,534)   | -   | -  | -                              | 4,178             | -                                     | 4,178                    |
| Forfeiture of share options                            | -                                     | -  | -   | -   | -  | (2,034)   | -   | -  | 2,034                          | -                 | -                                     | -                        |
| Lapsed of warrants                                     | -                                     | -  | -   | -   | -  | -   | (7,400)   | -  | 7,400                          | -                 | -                                     | -                        |
| Changes in equity for the year                         | 5,188                                 | 144,632  | -   | -   | (524)  | (4,568)   | (7,400)   | (60,141)   | 5,326                          | 82,513            | 3,517                                 | 86,030                   |
| At 31 March 2015 and 1 April 2015                      | 20,847                                | 270,001  | 16,375  | 2,943   | 569  | 5,220   | -   | 59,161   | (178,719)                      | 196,397           | 62,861                                | 259,258                  |
| Total comprehensive income for the year                | -                                     | -  | -   | -   | (1,611)  | -   | -   | -  | (110,611)                      | (112,222)         | (9,571)                               | (121,793)                |
| Shares issued upon placement                           | 3,487                                 | 38,978   | -   | -   | -  | -   | -   | -  | -                              | 42,465            | -                                     | 42,465                   |
| Shares issued upon conversion of convertible bonds     | 3,636                                 | 101,208  | -   | -   | -  | -   | -   | (59,161)   | -                              | 45,683            | -                                     | 45,683                   |
| Transactions costs attributable to issue of new shares | -                                     | (1,354)  | -   | -   | -  | -   | -   | -  | -                              | (1,354)           | -                                     | (1,354)                  |
| Disposal of a subsidiary (note 45(b))                  | -                                     | -  | -   | -   | -  | -   | -   | -  | -                              | -                 | (873)                                 | (873)                    |
| Shares issued upon exercise of share options           | 55                                    | 1,639  | -   | -   | -  | (644)   | -   | -  | -                              | 1,050             | -                                     | 1,050                    |
| Forfeiture of share options                            | -                                     | -  | -   | -   | -  | (812)   | -   | -  | 812                            | -                 | -                                     | -                        |
| Changes in equity for the year                         | 7,178                                 | 140,471  | -   | -   | (1,611)  | (1,456)   | -   | (59,161)   | (109,799)                      | (24,378)          | (10,444)                              | (34,822)                 |
| At 31 March 2016                                       | 28,025                                | 410,472  | 16,375  | 2,943   | (1,042)  | 3,764   | -   | -  | (288,518)                      | 172,019           | 52,417                                | 224,436                  |

## Consolidated Statement of Cash Flows

For the year ended 31 March 2016

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                  |
| Loss before tax  |                  |                  |
| Continuing operations  | (119,831)        | (4,021)          |
| Discontinued operations  | –                | 3,905            |
|  | (119,831)        | (116)            |
| Adjustments for:   |                  |                  |
| Other receivables written off  | 442              | –                |
| Amortisation of intangible assets  | –                | 45               |
| Depreciation of property, plant and equipment  | 1,919            | 2,490            |
| Fair value loss/(gain) on investment properties  | 2,200            | (6,000)          |
| Fair value losses/(gains) on Put Option, Call Option and<br>Mandatory Conversion Option of convertible bonds | 2,574            | (1,106)          |
| Loss/(gain) on disposal of subsidiaries  | 2,973            | (5,252)          |
| Fair value gain on warrants  | –                | (9,348)          |
| Finance costs  | 6,869            | 11,794           |
| Impairment losses on investments in associates   | 24,948           | –                |
| Interest income  | (407)            | (393)            |
| Fair value loss on conversion of convertible bonds   | 2,115            | 1,212            |
| (Gain)/loss on loss on disposal of property, plant and<br>equipment  | (1)              | 107              |
| Gain on disposal of associates   | –                | (333)            |
| Inventories written off  | 527              | –                |
| Impairment loss on inventories   | 1,872            | –                |
| Impairment loss on other receivables   | 2,490            | –                |
| Write-down of properties under development   | 15,295           | –                |
| Share of losses of associates  | 21,903           | 1,190            |
| Operating loss before working capital changes  | (34,112)         | (5,710)          |
| Decrease in inventories  | 19,226           | 10,334           |
| Decrease in trade, bills and other receivables,<br>deposits and prepayments                                  | 6,578            | 14,836           |
| Increase in properties under development   | (366)            | (314)            |
| Decrease in amount due to a non-controlling shareholder  | (372)            | (472)            |
| Decrease in trade and other payables and receipt<br>in advance   | (4,962)          | (3,140)          |
| Cash (used in)/generated from operations   | (14,008)         | 15,534           |
| Income taxes paid  | (1,174)          | (1,510)          |
| <b>Net cash (used in)/generated from operating activities</b>  | <b>(15,182)</b>  | <b>14,024</b>    |



## Consolidated Statement of Cash Flows

For the year ended 31 March 2016

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                  |                  |
| Net increase in amounts with associates                       | 49,793           | 4,923            |
| Purchases of property, plant and equipment                    | (946)            | (4,584)          |
| Proceeds from disposal of interests in subsidiaries (note 45) | 22,207           | 3,077            |
| Proceeds from disposal of interests in associates             | –                | 333              |
| Proceeds from disposal of property, plant and equipment       | 1                | 160              |
| Acquisition of available-for-sale financial assets            | (25,229)         | –                |
| Deposit for acquisition of intangible assets                  | (11,788)         | –                |
| Deposit for investment in available-for-sale financial assets | (10,800)         | –                |
| Decrease/(increase) in pledged bank deposits                  | 5,663            | (6,844)          |
| Interest received   | 407              | 393              |
| <b>Net cash generated from/(used in) investing activities</b> | <b>29,308</b>    | <b>(2,542)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                  |                  |
| Issue of shares upon the exercise of share options            | 1,050            | 4,178            |
| Net proceeds from issue of shares upon placing                | 41,111           | –                |
| Net proceeds from issue of shares upon exercise of warrants   | –                | 20,102           |
| Repayment of bank and other loans                             | (329,016)        | (116,036)        |
| Bank and other loans raised                                   | 262,612          | 111,984          |
| Repayment of finance lease payables                           | (336)            | (352)            |
| Interest paid   | (6,651)          | (6,249)          |
| Finance lease charges paid                                    | (28)             | (53)             |
| <b>Net cash (used in)/generated from financing activities</b> | <b>(31,258)</b>  | <b>13,574</b>    |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>(17,132)</b>  | <b>25,056</b>    |
| Effect of foreign exchange rate changes                       | (2,452)          | 41               |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>         | <b>58,470</b>    | <b>33,373</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>               | <b>38,886</b>    | <b>58,470</b>    |
| <b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>                  |                  |                  |
| Bank and cash balances  | 38,886           | 58,470           |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2016*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Suite 1006, 10th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 23 to the consolidated financial statements.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

### (a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2015. All the new and revised HKFRSs did not have material effect on the consolidated financial statements.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(Continued)*

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

*List of new and revised HKFRSs in issue but not yet effective that are relevant to the Group's operation*

|                                    |  |
|------------------------------------|--|
| HKFRS 9                            | Financial Instruments <sup>1</sup>   |
| HKFRS 15                           | Revenue from Contracts with Customers <sup>1</sup>   |
| HKFRS 16                           | Lease <sup>4</sup>   |
| Amendments to HKAS 1               | Disclosure Initiative <sup>2</sup>   |
| Amendments to HKAS 27              | Equity method in separate financial statements <sup>2</sup>  |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |
| Amendments to HKFRSs               | Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>   |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

### (c) Amendments to the GEM Listing Rules

The Stock Exchange in April 2015 released revised Chapter 18 of the GEM Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

The preparation of consolidated 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 consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Consolidation

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

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (b) Business combinations and goodwill

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

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

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

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### (c) Associates

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (c) Associates *(Continued)*

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

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

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

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

### (d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (d) Joint arrangements *(Continued)*

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

### (e) Foreign currency translation

#### (i) *Functional and presentation currency*

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (e) Foreign currency translation *(Continued)*

#### (iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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

### (f) Property, plant and equipment

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

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

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

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

### (g) Investment properties

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

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

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

### (h) Cross-boundary vehicle licence

Cross-boundary vehicle licence with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the license has suffered an impairment loss.

### (i) Leases

#### *The Group as lessee*

#### (i) Operating leases

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Leases (Continued)

#### *The Group as lessee (Continued)*

#### (ii) Finance leases

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

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

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

#### *The Group as lessor*

#### (i) Operating leases

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

### (j) Research and development expenditure

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (k) Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is estimated selling price in the ordinary course of business, less the estimate costs of completion and the estimated costs necessary to make the sale. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

### (l) Inventories

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

### (m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

### (n) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Financial assets (Continued)

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

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

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

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

#### (iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (o) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold 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 allowance for impairment.

### (p) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### (q) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Financial liabilities and equity instruments

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

### (s) Borrowings

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

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

### (t) Financial guarantee contract liabilities

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

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

### (u) Convertible bonds

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (v) Trade and other payables

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

### (w) Equity instruments

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

### (x) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value. Changes in the fair value of derivatives are recognised in profit or loss as they arise.

### (y) Revenue recognition

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (z) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

#### (iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### (aa) Share-based payments

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (bb) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

### (cc) Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (cc) Taxation (Continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (ee) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

### (ff) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

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

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (ff) Impairment of financial assets *(Continued)*

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

### (gg) Provisions and contingent liabilities

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

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

### (hh) Events after the reporting period

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

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

#### (a) *Joint control assessment*

The Group held 50% of the interest of its joint arrangements of sub-leasing project with an independent individual on a property located in the PRC. The directors had determined that the Group had joint control over these arrangements as under the contractual agreements, it appeared that unanimous consent was required from all parties to the agreements for all relevant activities.

#### (b) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale. Accordingly, no deferred tax is recognised in respect of the fair value change in such investment properties as the Group is not subject to any income taxes on disposal of investment properties in Hong Kong because no capital gain tax arising from property sales in Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty

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

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

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

As at 31 March 2016, the carrying amount of property, plant and equipment was HK\$8,013,000 (2015: HK\$13,795,000).

#### *(b) Income taxes and deferred tax*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK\$129,000 (2015: HK\$1,436,000) of income tax was charged to profit or loss based on the estimated assessable profits from continuing operations.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

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

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

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

During the year ended 31 March 2016, impairment for bad and doubtful debts on other receivables was HK\$2,490,000 (2015: Nil).

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

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

As at 31 March 2016, the carrying amount of investments in associates and amount due from associates were HK\$114,848,000 (2015: HK\$161,699,000) and Nil (2015: HK\$48,028,000) respectively.

#### *(e) Fair value of investment properties*

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

As at 31 March 2016, the carrying amount of investment properties was HK\$9,500,000 (2015: HK\$45,700,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

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

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

As disclosed in note 35 to the consolidated financial statements, the fair values of the derivative financial instruments at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, credit spread, discount rate, the expected life of the derivative financial instruments, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative financial instruments in the period in which such determination is made.

As at 31 March 2015, the carrying amount of the derivative financial assets and liabilities were HK\$4,690,000 and HK\$1,000 respectively.

#### *(g) Impairment of goodwill*

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

The carrying amount of goodwill at the end of the reporting period was HK\$24,911,000 (2015: HK\$24,911,000).

#### *(h) Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. As at 31 March 2016, accumulated allowance for slow-moving inventories was HK\$1,872,000 (2015: Nil).



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

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

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

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

As at 31 March 2016, the carrying amount of the properties under development was HK\$45,680,000 (2015: HK\$61,014,000).

## 6. FINANCIAL RISK MANAGEMENT

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

### *(a) Foreign currency risk*

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$, Renminbi ("RMB") and United States dollars ("US\$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

#### *Sensitivity analysis*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 6. FINANCIAL RISK MANAGEMENT (Continued)

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

#### *Sensitivity analysis (Continued)*

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

|           | 2016  |  | 2015  |  |
|-----------|---|--|---|--|
|           | Increase/<br>(decrease)<br>in foreign<br>exchange rates | Effect on loss<br>after tax and<br>accumulated<br>losses<br>HK\$'000 | Increase/<br>(decrease)<br>in foreign<br>exchange rates | Effect on loss<br>after tax and<br>accumulated<br>losses<br>HK\$'000 |
| HK\$/US\$ | 10%<br>(10%)  | 650<br>(650)   | 10%<br>(10%)  | 6,044<br>(6,044)   |
| HK\$/RMB  | 5%<br>(5%)  | 69<br>(69)   | 10%<br>(10%)  | 1,813<br>(1,813)   |

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

### (b) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has certain concentration of credit risk as the Group's largest five debtors accounts for 75% of trade receivables as at 31 March 2016 (2015: 70%).

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

Other receivables are regularly reviewed by directors to ensure that adequate impairment losses are recognised for irrecoverable debts.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk (Continued)

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

### (c) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

|  | Less than<br>1 year and<br>on demand<br><i>HK\$'000</i> | Between 1<br>and<br>2 years<br><i>HK\$'000</i> | Between 2<br>and 5 years<br><i>HK\$'000</i> | Over 5 years<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|--|---|---------------------------------|--------------------------|
| <b>At 31 March 2016</b>                      |   |  |   |                                 |                          |
| Trade and other payables                     | 95,707  | -  | -   | -                               | 95,707                   |
| Finance lease payables                       | 420   | -  | -   | -                               | 420                      |
| Bank and other loans                         | 54,986  | -  | -   | -                               | 54,986                   |
| Long term bonds                              | 2,000   | 2,000  | 46,000                                      | -                               | 50,000                   |
| Due to an associate                          | 22,201  | -  | -   | -                               | 22,201                   |
| Promissory note                              | 38,000  | -  | -   | -                               | 38,000                   |
| <b>At 31 March 2015</b>                      |   |  |   |                                 |                          |
| Trade and other payables                     | 98,309  | -  | -   | -                               | 98,309                   |
| Finance lease payables                       | 785   | -  | -   | -                               | 785                      |
| Liability components of<br>convertible bonds | 47,613  | -  | -   | -                               | 47,613                   |
| Bank and other loans                         | 135,667   | -  | -   | -                               | 135,667                  |
| Long term bonds                              | 2,000   | 2,000  | 48,000                                      | -                               | 52,000                   |
| Due to a non-controlling<br>shareholder      | 372   | -  | -   | -                               | 372                      |
| Due to an associate                          | 21,497  | -  | -   | -                               | 21,497                   |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk (Continued)

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

|                         | Less than<br>1 year and<br>on demand<br><i>HK\$'000</i> | Between 1<br>and 2 years<br><i>HK\$'000</i> | Between 2<br>and 5 years<br><i>HK\$'000</i> | Over 5 years<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------------|---|---|---|---------------------------------|--------------------------|
| <b>At 31 March 2016</b> |   |   |   |                                 |                          |
| Finance lease payables  | 168   | 252   | –   | –                               | 420                      |
| Bank and other loans    | 51,573  | 383   | 1,106                                       | 2,840                           | 55,902                   |
| Promissory note         | –   | 38,000                                      | –   | –                               | 38,000                   |
| <b>At 31 March 2015</b> |   |   |   |                                 |                          |
| Finance lease payables  | 365   | 168   | 252   | –                               | 785                      |
| Bank and other loans    | 117,830   | 1,043                                       | 2,942                                       | 17,955                          | 139,770                  |

### (d) Interest rate risk

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

At 31 March 2016, if the interest rate had been 100 basis points lower, with all other variables held constant, the impact on consolidated loss after tax is summarised in the following table. The sensitivity analysis includes bank and other loans and adjusts the respective interest rates at the year end of 100 basis points. A positive number indicates a decrease in loss. If the interest rate had been 100 basis points higher, with all other variables held constant, there would be an equal and opposite impact on loss after tax, and the balances below would be negative.

|                | At 31 March             |                         |
|----------------|-------------------------|-------------------------|
|                | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
| Loss after tax | 188                     | 908                     |



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 6. FINANCIAL RISK MANAGEMENT (Continued)

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

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| <b>Financial assets:</b>                                    |                  |                  |
| Financial assets at fair value through profit or loss:      |                  |                  |
| Held-for-trading  | –                | 4,690            |
| Loans and receivables (including cash and cash equivalents) | 172,309          | 251,082          |
| <b>Financial liabilities:</b>                               |                  |                  |
| Financial liabilities at fair value through profit or loss: |                  |                  |
| Held-for-trading  | –                | 1                |
| Financial liabilities at amortised cost                     | 251,284          | 340,904          |

### (f) Fair values

Except as disclosed in note 25 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## 7. FAIR VALUE MEASUREMENTS

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 7. FAIR VALUE MEASUREMENTS (Continued)

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

| Investment properties   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| At beginning  | 45,700           | 39,700           |
| Total (losses) or gains recognised in profit or loss <sup>(#)</sup>               | (2,200)          | 6,000            |
| Disposal of a subsidiary  | (34,000)         | –                |
| At end of year  | 9,500            | 45,700           |
| <sup>(#)</sup> Include gains or losses for assets held at end of reporting period | (2,200)          | 6,000            |

The total gains or losses recognised in profit or loss included those for assets held at the end of the reporting period are presented in other net income in the consolidated statement of profit or loss.

During the year ended 31 March 2016, investment property amounting to HK\$34,000,000 was derecognised due to disposal of a subsidiary.

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2016:

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 7. FAIR VALUE MEASUREMENTS (Continued)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2016: (Continued)

### Level 2 fair value measurements

| Description                      | Valuation technique           | Inputs   | Fair value<br>Assets/(Liabilities) |                  |
|----------------------------------|-------------------------------|--|------------------------------------|------------------|
|                                  |                               |  | 2016<br>HK\$'000                   | 2015<br>HK\$'000 |
| Put Option of convertible bonds  | Binomial option pricing model | Share price, exercise price, risk-free rate, expected volatility, life of the convertible bonds, expected dividend yield and effective interest rate or risky rate | –                                  | 4,690            |
| Call Option of convertible bonds | Binomial option pricing model | Share price, exercise price, risk-free rate, expected volatility, life of the convertible bonds, expected dividend yield and effective interest rate or risky rate | –                                  | (1)              |



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 7. FAIR VALUE MEASUREMENTS (Continued)

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2016: (Continued)

#### Level 3 fair value measurements

| Description   | Valuation technique       | Unobservable inputs                         | Range                    | Assets           |                  |
|---|---------------------------|---|--------------------------|------------------|------------------|
|   |                           |   |                          | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
| Investment property in Mei Foo Sun Chuen, Hong Kong | Sales comparison approach | Premium (discount) on quality of properties | Increase or decrease 25% | 9,500            | 11,000           |
| Investment property in Manhattan Hill, Hong Kong    | Sales comparison approach | Premium (discount) on quality of properties | Increase or decrease 25% | –                | 34,700           |

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

## 8. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Sales of electronic parts and components | 662,345          | 1,182,848        |
| Rental income                            | 625              | 950              |
| Sublease rental income                   | 3,903            | 6,843            |
|  | 666,873          | 1,190,641        |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 9. OTHER NET INCOME

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| <b>Continuing operations</b>                    |                  |                  |
| Interest income                                 | 407              | 393              |
| Net foreign exchange gains                      | –                | 152              |
| Fair value (loss)/gain on investment properties | (2,200)          | 6,000            |
| Gain on disposal of an associate                | –                | 333              |
| Sundry income                                   | 1,826            | 392              |
| Fair value gain on warrants                     | –                | 9,348            |
|   | <b>33</b>        | <b>16,618</b>    |

## 10. SEGMENT INFORMATION

The Group has three (2015: three) reportable segments as follows:

|  |   |   |
|--|---|---|
| Trading of electronic parts and components | – | trading of electronic parts and components and provision of professional solution with engineering services |
| Property development                       | – | sale of developed properties  |
| Property investment                        | – | rental income   |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 10. SEGMENT INFORMATION (Continued)

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

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profit or loss does not include unallocated corporate results.

Information about reportable segment profit or loss from continuing operations:

|  | Trading of<br>electronic<br>parts and<br>components<br><i>HK\$'000</i> | Property<br>development<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|---|--------------------------|
| <b>Year ended 31 March 2016</b>                |  |  |   |                          |
| Revenue from external customers                | 662,345  | –  | 4,528                                     | 666,873                  |
| Segment loss                                   | (8,818)  | (84,624)                                   | (2,273)                                   | (95,715)                 |
| Depreciation                                   | 181  | 601  | 660                                       | 1,442                    |
| Impairment losses on investments in associates | –  | 24,948                                     | –   | 24,948                   |
| Write-down of properties under development     | –  | 15,295                                     | –   | 15,295                   |
| <b>Year ended 31 March 2015</b>                |  |  |   |                          |
| Revenue from external customers                | 1,182,848  | –  | 7,793                                     | 1,190,641                |
| Segment profit/(loss)                          | 6,454  | (6,273)                                    | 6,486                                     | 6,667                    |
| Depreciation                                   | 189  | 673  | 995                                       | 1,857                    |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 10. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue and profit or loss from continuing operations:

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| <b>Revenue</b>  |                  |                  |
| Total revenue from continuing operations                        | 666,873          | 1,190,641        |
| <b>Profit or loss</b>   |                  |                  |
| Total (loss)/profit of reportable segments                      | (95,715)         | 6,667            |
| Unallocated corporate results                                   | (24,245)         | (12,124)         |
| Consolidated loss for the year from continuing operations       | (119,960)        | (5,457)          |
| <b>Reconciliation of other material items:</b>                  |                  |                  |
| <b>Other material items – depreciation and amortisation</b>     |                  |                  |
| Total depreciation of reportable segments                       | 1,442            | 1,857            |
| Depreciation and amortisation from discontinued operations      | –                | 555              |
| Unallocated amounts:  |                  |                  |
| Depreciation of property, plant and equipment for corporate use | 477              | 123              |
| Consolidated depreciation and amortisation                      | 1,919            | 2,535            |

### Geographical information

|                          | Non-current assets |                  |
|--------------------------|--------------------|------------------|
|                          | 2016<br>HK\$'000   | 2015<br>HK\$'000 |
| Hong Kong                | 43,812             | 82,146           |
| The PRC except Hong Kong | 126,966            | 163,959          |
| Consolidated total       | 170,778            | 246,105          |

Geographical information excluded available-for-sale financial assets and deposit for investment in available-for-sale financial assets.

Majority of the revenue generated by the Group for the years ended 31 March 2015 and 2016 were attributable to customers whose operations located in the PRC. In presenting the geographical information, revenue is based on the location of the customers.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 10. SEGMENT INFORMATION (Continued)

### Revenue from major customers

|            | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------------|------------------|------------------|
| Customer A | N/A              | 273,198          |
| Customer B | 160,756          | N/A              |
| Customer C | 133,406          | N/A              |

Revenue from two (2015: one) customer(s) generated from the Group's trading of electronic parts and components segment.

## 11. FINANCE COSTS

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| <b>Continuing operations</b>   |                  |                  |
| Wholly repayable within five years   |                  |                  |
| – Effective interest expenses on liability components of convertible bonds | 1,578            | 4,891            |
| – Interest on bank loans   | 2,181            | 3,625            |
| – Interest on other loan   | 746              | 834              |
| – Finance lease charges  | 28               | 53               |
| Not wholly repayable within five years based on repayment schedule         |                  |                  |
| – Interest on bank and other loans   | 336              | 394              |
| – Interest on long term bonds  | 2,000            | 1,997            |
|  | 6,869            | 11,794           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 12. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| Current tax – Hong Kong Profits Tax         |                  |                  |
| – Provision for the year                    | –                | 1,342            |
| – Over-provision in prior years             | (27)             | (94)             |
|   | (27)             | 1,248            |
| Current tax – PRC Enterprise Income Tax     |                  |                  |
| – Provision for the year                    | 160              | 192              |
| Deferred tax liabilities ( <i>note 39</i> ) | (4)              | (4)              |
| Income tax expense                          | 129              | 1,436            |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 31 March 2015 was calculated at 16.5% based on the assessable profit for the year.

PRC Enterprise Income Tax has been provided at a rate of 25% (2015: 25%).

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

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| Loss before tax (from continuing operations)                    | (119,831)        | (4,021)          |
| Tax at the Hong Kong Profits Tax rate of 16.5%<br>(2015: 16.5%) | (19,772)         | (663)            |
| Tax effect of income that is not taxable                        | (67)             | (1,051)          |
| Tax effect of expenses that are not deductible                  | 21,368           | 1,728            |
| Tax effect of temporary differences not recognised              | (12)             | (77)             |
| Tax effect of tax losses not recognised                         | 1,315            | 1,810            |
| Over-provision in prior years                                   | (27)             | (94)             |
| Effect of different tax rates of subsidiaries                   | (2,676)          | (217)            |
| Income tax expense  | 129              | 1,436            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations is stated after charging/(crediting) the following:

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Auditor's remuneration   | 900              | 1,020            |
| Cost of inventories sold   | 642,325          | 1,138,726        |
| Depreciation of property, plant and equipment  | 1,919            | 1,980            |
| Direct operating expenses of investment properties<br>that generate rental income                            | 117              | 130              |
| Fair value loss/(gain) on investment properties  | 2,200            | (6,000)          |
| Fair value gain on warrants  | –                | (9,348)          |
| Impairment loss on inventories   | 1,872            | –                |
| Inventories written off  | 527              | –                |
| Other receivables written off  | 442              | –                |
| Impairment loss on other receivables   | 2,490            | –                |
| Gain on disposal of associates   | –                | (333)            |
| (Gain)/loss on disposal of property, plant and equipment   | (1)              | 107              |
| Fair value losses/(gains) on Put Option, Call Option and<br>Mandatory Conversion Option of convertible bonds | 2,574            | (1,106)          |
| Fair value loss on conversion of convertible bonds   | 2,115            | 1,212            |
| Operating lease charges  |                  |                  |
| – Premises   | 3,011            | 2,765            |
| – Premises for subleasing  | 2,073            | 3,854            |
| Research and development expenses  |                  |                  |
| – Other expenses   | 952              | 3,506            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 14. DISCONTINUED OPERATIONS

### Discontinued operations on mobile data solution segment

On 17 November 2014, the Company entered into a sale and purchase agreement with a director of Mobile Telecom (BVI) Limited ("Mobile Telecom") to dispose of the Company's entire equity interest in Mobile Telecom. Mobile Telecom and its subsidiaries (collectively referred to as "Mobile Telecom Group") were principally engaged in the provision of mobile data solution and related services. Details of the assets and liabilities disposed and the calculation of the profit or loss on disposal are disclosed in note 45(c).

The disposal was completed on 19 December 2014.

|  | 2015<br>HK\$'000 |
|--|------------------|
| Profit for the year from discontinued operations:        |                  |
| Revenue  | 27,215           |
| Other net income   | 700              |
| Telecom operators and content providers cost             | (6,376)          |
| Employment costs   | (12,269)         |
| Research and development costs                           | (5,821)          |
| Depreciation and amortisation                            | (555)            |
| Other operating expenses                                 | (4,241)          |
| Loss from operations and before tax                      | (1,347)          |
| Income tax expense                                       | —                |
| Loss after tax   | (1,347)          |
| Gain on disposal of discontinued operations (note 45(c)) | 5,252            |
| Profit for the year from discontinued operations         | 3,905            |



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 14. DISCONTINUED OPERATIONS (Continued)

### Discontinued operations on mobile data solution segment (Continued)

|  | 2015<br>HK\$'000 |
|--|------------------|
| <b>Profit for the year from discontinued operations include the following:</b> |                  |
| Auditor's remuneration   | 220              |
| Amortisation of intangible assets  | 45               |
| Operating lease charges of premises and facilities                             | 1,774            |
| Depreciation of property, plant and equipment                                  | 510              |
| Reversal of allowance for doubtful debts                                       | (612)            |
| Research and development cost  | 5,821            |
| Staff costs (including amount classified as research and development expenses) |                  |
| – Salaries and allowances  | 17,298           |
| – Retirement benefit scheme contributions                                      | 792              |
| <b>Cash flows from discontinued operations:</b>                                |                  |
| Net cash outflows in operating activities                                      | (173)            |
| Net cash outflows in investing activities                                      | (382)            |
|  | (555)            |
| Effect of foreign exchange rate changes  | (15)             |
|  | (570)            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 15. EMPLOYMENT COSTS

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| Employee benefits expense                 |                  |                  |
| – Salaries, bonuses and allowances        | 25,223           | 17,959           |
| – Retirement benefit scheme contributions | 494              | 587              |
|   | 25,717           | 18,546           |

### Five highest paid individuals

The five highest paid individuals in the Group during the year did not include any (2015: one) director(s) whose emoluments are reflected in the analysis presented in note 16. The emoluments of the remaining individuals are set out below:

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Basic salaries and allowances            | 9,040            | 3,960            |
| Retirement benefits scheme contributions | 68               | 70               |
|  | 9,108            | 4,030            |

The emoluments fell within the following band:

|                                | Number of individuals |      |
|--------------------------------|-----------------------|------|
|                                | 2016                  | 2015 |
| HK\$500,001 to HK\$1,000,000   | –                     | 2    |
| HK\$1,000,001 to HK\$1,500,000 | 1                     | 2    |
| HK\$1,500,001 to HK\$2,000,000 | 2                     | –    |
| HK\$2,000,001 to HK\$2,500,000 | 2                     | –    |
|                                | 5                     | 4    |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 16. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Emoluments of directors

The emoluments of each director were as follows:

For the year ended 31 March 2016

| Name of director                               | Directors' fees<br>HK\$'000 | Salaries<br>HK\$'000 | (note (f))<br>Estimated<br>money value<br>of other<br>benefits<br>HK\$'000 | Share-<br>based<br>payments<br>HK\$'000 | Retirement<br>benefit<br>scheme<br>contributions<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------------|----------------------|--|---|--|-------------------|
| <i>Executive directors</i>                     |                             |                      |  |   |  |                   |
| Mr. Choi Ho Yan (note (a))                     | -                           | 600                  | -  | -                                       | 15   | 615               |
| Mr. So Haw, Herman (note (a))                  | -                           | 190                  | -  | -                                       | 8  | 198               |
| Mr. So Loi Fat                                 | -                           | 600                  | 136  | -                                       | 18   | 754               |
| Mr. Wong Shiu Wah,<br>Williamson (note (b))    | -                           | 660                  | -  | -                                       | 17   | 677               |
| Mr. Su Minzhi (note (c))                       | -                           | 588                  | -  | -                                       | -  | 588               |
| Mr. Chen Dongquan (note (d))                   | -                           | 315                  | -  | -                                       | 4  | 319               |
| <i>Independent non-executive<br/>directors</i> |                             |                      |  |   |  |                   |
| Mr. Chiu Wai Piu                               | 120                         | -                    | -  | -                                       | -  | 120               |
| Mr. Tam Yiu Cheung (note (b))                  | 110                         | -                    | -  | -                                       | -  | 110               |
| Mr. Tam Kin Yip (note (b))                     | 110                         | -                    | -  | -                                       | -  | 110               |
| Mr. Miu Hon Kit (note (e))                     | 10                          | -                    | -  | -                                       | -  | 10                |
| Mr. Li Shiu Ki, Ernest (note (e))              | 10                          | -                    | -  | -                                       | -  | 10                |
| <b>Total for 2016</b>                          | <b>360</b>                  | <b>2,953</b>         | <b>136</b>   | <b>-</b>                                | <b>62</b>  | <b>3,511</b>      |

Notes:

- (a) Resigned on 1 September 2015
- (b) Resigned on 1 March 2016
- (c) Appointed on 8 April 2015
- (d) Appointed on 29 January 2016
- (e) Appointed on 1 March 2016
- (f) Represents rent paid

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Emoluments of directors (Continued)

For the year ended 31 March 2015

| Name of director                            | Directors' fees<br>HK\$'000 | Salaries<br>HK\$'000 | Estimated money value of other benefits<br>HK\$'000 | Share-based payments<br>HK\$'000 | Retirement benefit scheme contributions<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------------|----------------------|---|----------------------------------|---|-------------------|
| <i>Executive directors</i>                  |                             |                      |   |                                  |   |                   |
| Mr. Chan Wai Kwong, Peter<br>(note (a))     | –                           | 372                  | –   | –                                | 10  | 382               |
| Mr. Choi Ho Yan                             | –                           | 1,440                | –   | –                                | 35  | 1,475             |
| Mr. So Haw, Herman                          | –                           | 456                  | –   | –                                | 18  | 474               |
| Mr. So Loi Fat                              | –                           | 600                  | –   | –                                | 18  | 618               |
| Mr. Wong Shiu Wah,<br>Williamson (note (b)) | –                           | 56                   | –   | –                                | –   | 56                |
| <i>Independent non-executive directors</i>  |                             |                      |   |                                  |   |                   |
| Mr. Chiu Wai Piu                            | 120                         | –                    | –   | –                                | –   | 120               |
| Mr. Cheung Kwan Hung,<br>Anthony (note(c))  | 111                         | –                    | –   | –                                | –   | 111               |
| Mr. Heung Chee Hang, Eric<br>(note (c))     | 111                         | –                    | –   | –                                | –   | 111               |
| Mr. Tam Yiu Cheung (note (b))               | 9                           | –                    | –   | –                                | –   | 9                 |
| Mr. Tam Kin Yip (note (b))                  | 9                           | –                    | –   | –                                | –   | 9                 |
| Total for 2015                              | 360                         | 2,924                | –   | –                                | 81  | 3,365             |

Notes:

- (a) Resigned on 13 October 2014
- (b) Appointed on 3 March 2015
- (c) Resigned on 3 March 2015

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2015: Nil).

### (b) Directors' material interests in transactions, arrangement or contracts

No 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 and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 17. DIVIDENDS

The Directors have not declared nor proposed any dividends in respect of the year ended 31 March 2016 (2015: Nil).

## 18. LOSS PER SHARE

### (a) Basic loss per share

#### (i) *From continuing and discontinued operations*

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$110,611,000 (2015: approximately HK\$4,108,000) and the weighted average number of ordinary shares of 3,133,038,420 (2015: 2,379,067,764) in issue during the year.

#### (ii) *From continuing operations*

The calculation of basic loss per share from continuing operations is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK\$110,611,000 (2015: approximately HK\$7,598,000) and the denominator used is the same as that detailed above.

#### (iii) *From discontinued operations*

Basic earnings per share from discontinued operations is 0.15 HK cent per share in 2015. The calculation of basic earnings per share from discontinued operations is based on the profit for the year from discontinued operations attributable to owners to the Company of approximately HK\$3,490,000 in 2015 and the denominator used is the same as that detail above.

### (b) Diluted loss per share

As the exercise of the Group's outstanding share options for the year ended 31 March 2016 (2015: outstanding convertible bonds and share options) would be anti-dilutive, no diluted loss per share was presented in both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 19. PROPERTY, PLANT AND EQUIPMENT

|                                      | Leasehold<br>properties<br>HK\$'000 | Computer<br>hardware and<br>software<br>HK\$'000 | Leasehold<br>improvements,<br>furniture<br>and fixtures<br>HK\$'000 | Office<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------|-------------------------------------|--|---|---------------------------------|-------------------------------|-------------------|
| <b>Cost</b>                          |                                     |  |   |                                 |                               |                   |
| At 1 April 2014                      | 5,000                               | 2,174  | 5,776   | 63                              | 2,656                         | 15,669            |
| Additions                            | –                                   | 546  | 3,916   | 23                              | 1,398                         | 5,883             |
| Disposal of subsidiaries             | –                                   | (2,341)  | (994)   | (53)                            | –                             | (3,388)           |
| Disposal                             | –                                   | –  | –   | –                               | (1,087)                       | (1,087)           |
| Exchange differences                 | –                                   | –  | 3   | –                               | 2                             | 5                 |
| At 31 March 2015 and at 1 April 2015 | 5,000                               | 379  | 8,701   | 33                              | 2,969                         | 17,082            |
| Additions                            | –                                   | 10   | –   | –                               | 936                           | 946               |
| Disposal of subsidiaries             | –                                   | –  | (6,355)   | (5)                             | –                             | (6,360)           |
| Disposal                             | –                                   | (65)   | –   | –                               | –                             | (65)              |
| Exchange differences                 | –                                   | (3)  | (134)   | (1)                             | (24)                          | (162)             |
| <b>At 31 March 2016</b>              | <b>5,000</b>                        | <b>321</b>                                       | <b>2,212</b>  | <b>27</b>                       | <b>3,881</b>                  | <b>11,441</b>     |
| <b>Accumulated depreciation</b>      |                                     |  |   |                                 |                               |                   |
| At 1 April 2014                      | 174                                 | 1,413  | 525   | 26                              | 1,076                         | 3,214             |
| Charge for the year                  | 110                                 | 372  | 1,316   | 13                              | 679                           | 2,490             |
| Disposal of subsidiaries             | –                                   | (1,646)  | (625)   | (27)                            | –                             | (2,298)           |
| Disposal                             | –                                   | –  | –   | –                               | (121)                         | (121)             |
| Exchange difference                  | –                                   | –  | 2   | –                               | –                             | 2                 |
| At 31 March 2015 and at 1 April 2015 | 284                                 | 139  | 1,218   | 12                              | 1,634                         | 3,287             |
| Charge for the year                  | 110                                 | 79   | 1,102   | 6                               | 622                           | 1,919             |
| Disposal of subsidiaries             | –                                   | –  | (1,649)   | (3)                             | –                             | (1,652)           |
| Disposal                             | –                                   | (65)   | –   | –                               | –                             | (65)              |
| Exchange difference                  | –                                   | (1)  | (47)  | (1)                             | (12)                          | (61)              |
| <b>At 31 March 2016</b>              | <b>394</b>                          | <b>152</b>                                       | <b>624</b>  | <b>14</b>                       | <b>2,244</b>                  | <b>3,428</b>      |
| <b>Carrying amount</b>               |                                     |  |   |                                 |                               |                   |
| <b>At 31 March 2016</b>              | <b>4,606</b>                        | <b>169</b>                                       | <b>1,588</b>  | <b>13</b>                       | <b>1,637</b>                  | <b>8,013</b>      |
| At 31 March 2015                     | 4,716                               | 240  | 7,483   | 21                              | 1,335                         | 13,795            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 March 2016, the carrying amount of one motor vehicle (2015: two) held by the Group under finance leases amounted to approximately HK\$437,000 (2015: HK\$818,000).

The Group's leasehold properties are situated in Hong Kong and are held under medium-lease.

At 31 March 2016, the carrying amount of the Group's leasehold properties amounted to approximately HK\$4,606,000 (2015: HK\$4,716,000) were pledged as security for the Group's mortgage loan (note 34).

## 20. INVESTMENT PROPERTIES

|                          | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--------------------------|------------------|------------------|
| At beginning of year     | 45,700           | 39,700           |
| Disposal of a subsidiary | (34,000)         | –                |
| Fair value (loss)/gain   | (2,200)          | 6,000            |
| At end of year           | 9,500            | 45,700           |

Investment properties were revalued at 31 March 2016 and 2015 on the open market value basis by reference to market evidence of recent transactions for similar properties by Savills Valuation and Professional Services Limited, an independent firm of valuers.

The Group's investment properties are situated in Hong Kong and are held under medium-leases.

At 31 March 2016, the carrying amount of investment properties pledged as security for the Group's bank and other loans amounted to HK\$9,500,000 (2015: HK\$45,700,000) (note 34).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 21. GOODWILL

|  | HK\$'000      |
|--|---------------|
| <b>Cost</b>                                      |               |
| At 1 April 2014                                  | 24,923        |
| Derecognised on disposal of subsidiaries         | (12)          |
| At 31 March 2015, 1 April 2015 and 31 March 2016 | 24,911        |
| <b>Accumulated impairment losses</b>             |               |
| At 1 April 2014                                  | 12            |
| Derecognised on disposal of subsidiaries         | (12)          |
| At 31 March 2015, 1 April 2015 and 31 March 2016 | –             |
| <b>Carrying amount</b>                           |               |
| <b>At 31 March 2016</b>                          | <b>24,911</b> |
| At 31 March 2015                                 | 24,911        |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill, before impairment loss, had been allocated to ETC Technology Limited ("ETC") in trading of electronic parts and components segment.

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using 3% (2015: 3%) growth rate. This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax rate used to discount the forecast cash flows is 11% (2015: 9%) for the CGU of ETC.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 22. INTANGIBLE ASSETS

|                                 | Website<br>HK\$'000 |
|---------------------------------|---------------------|
| <b>Cost</b>                     |                     |
| At 1 April 2014                 | 200                 |
| Disposal of subsidiaries        | (200)               |
| At 31 March 2015                | –                   |
| <b>Accumulated amortisation</b> |                     |
| At 1 April 2014                 | 138                 |
| Amortisation for the year       | 45                  |
| Disposal of subsidiaries        | (183)               |
| At 31 March 2015                | –                   |
| <b>Carrying amount</b>          |                     |
| At 31 March 2015                | –                   |

The Group's cross-boundary vehicle licence of HK\$1,718,000 (2015: Nil) at 31 March 2016 is assessed as having indefinite useful life because there is no time limit on the usage of licence by the Group.

## 23. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries at 31 March 2016 are as follows:

| Name                                 | Place of incorporation/ establishment | Principal activities                    | Particulars of issued share capital/ registered capital | Percentage of ownership interest<br>2016/2015 |
|--------------------------------------|---------------------------------------|---|---|---|
| <b>Directly held:</b>                |                                       |   |   |   |
| Full Rich Human Resources Limited    | Hong Kong                             | Human resources management in Hong Kong | HK\$100   | 100%/100%                                     |
| Gold Continental Investments Limited | British Virgin Islands ("BVI")        | Investment holding                      | 100 ordinary shares of US\$1 each                       | 100%/100%                                     |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 23. INTERESTS IN SUBSIDIARIES (Continued)

| Name                                       | Place of incorporation/ establishment | Principal activities        | Particulars of issued share capital/ registered capital | Percentage of ownership interest<br>2016/2015 |
|--|---------------------------------------|-----------------------------|---|---|
| <b>Directly held: (Continued)</b>          |                                       |                             |   |   |
| Golden Kingtex Limited                     | BVI                                   | Investment holding          | 100 ordinary shares of US\$1 each                       | 100%/100%                                     |
| Gold Basin Capital Limited                 | BVI                                   | Investment holding          | 100 ordinary shares of US\$1 each                       | 100%/100%                                     |
| Zhong Xin Enterprises Limited              | BVI                                   | Investment holding          | 10 ordinary shares of US\$1 each                        | 100%/N/A                                      |
| Hao Cheng Global Limited                   | BVI                                   | Investment holding          | 10 ordinary shares of US\$1 each                        | 100%/N/A                                      |
| Fountain Voice Limited                     | BVI                                   | Investment holding          | 10 ordinary shares of US\$1 each                        | 100%/N/A                                      |
| Loyal Brave Holdings Limited               | BVI                                   | Investment holding          | 10 ordinary shares of US\$1 each                        | 100%/N/A                                      |
| Forceful Shine Limited                     | BVI                                   | Investment holding          | 10 ordinary shares of US\$1 each                        | 100%/N/A                                      |
| <b>Indirectly held:</b>                    |                                       |                             |   |   |
| Best Team International Investment Limited | Hong Kong                             | Investment holding          | HK\$2,000   | 100%/100%                                     |
| 深圳市鑫泰溢投資發展有限公司 (note (b))                  | The PRC                               | Investment holding          | RMB31,946,352   | 100%/100%                                     |
| 陽江市永聯房地產開發有限公司                             | The PRC                               | Property development        | RMB1,000,000  | 66.66%/66.66%                                 |
| ETC  | Hong Kong                             | Trading of electronic parts | HK\$2,000,000   | 75%/75%                                       |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 23. INTERESTS IN SUBSIDIARIES (Continued)

| Name  | Place of incorporation/ establishment | Principal activities        | Particulars of issued share capital/ registered capital | Percentage of ownership interest 2016/2015 |
|---|---------------------------------------|-----------------------------|---|--|
| <b>Indirectly held: (Continued)</b>                   |                                       |                             |   |  |
| 超豐科技(深圳)有限公司<br>(note (b))                            | The PRC                               | Trading of electronic parts | HK\$2,000,000   | 100%/N/A                                   |
| Best Precision Holdings Limited                       | BVI                                   | Investment holding          | 50,000 ordinary shares of US\$1 each                    | 100%/100%                                  |
| Dignity Effort Global Investments Limited             | BVI                                   | Investment holding          | 50,000 ordinary shares of US\$1 each                    | 100%/100%                                  |
| Hegrow Inc Limited                                    | Hong Kong                             | Inactive                    | HK\$10,000  | 100%/100%                                  |
| Best Worldwide Corporation Limited ("Best Worldwide") | Hong Kong                             | Investment holding          | HK\$150,000,100   | 70%/70%                                    |
| 深圳市錦鑫貿易有限公司<br>(note (b))                             | The PRC                               | Investment holding          | RMB10,000,000   | 100%/100%                                  |
| 深圳市金康盛資訊諮詢有限公司  | The PRC                               | Investment holding          | RMB10,000,000   | 100%/100%                                  |
| China Town Development Limited                        | Hong Kong                             | Not yet commence business   | HK\$1   | 100%/N/A                                   |
| Top Wealth Holdings Limited                           | Hong Kong                             | Investment holding          | HK\$1   | 100%/N/A                                   |
| Joyful Concord Limited                                | Hong Kong                             | Not yet commence business   | HK\$1   | 100%/N/A                                   |
| Sky Goal International Limited                        | Hong Kong                             | Not yet commence business   | HK\$1   | 100%/N/A                                   |

Note:

- (a) The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (b) These subsidiaries are Wholly-Owned Foreign Enterprises established in the PRC.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 23. INTERESTS IN SUBSIDIARIES (Continued)

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

| Name   | Best Worldwide      |                  | ETC                 |                  |
|--|---------------------|------------------|---------------------|------------------|
| Principal place of business/<br>country of incorporation | Hong Kong/Hong Kong |                  | Hong Kong/Hong Kong |                  |
| % of ownership interests/voting<br>rights held by NCI    | 30%/30%             |                  | 25%/25%             |                  |
|  | 2016<br>HK\$'000    | 2015<br>HK\$'000 | 2016<br>HK\$'000    | 2015<br>HK\$'000 |
| <b>At 31 March:</b>                                      |                     |                  |                     |                  |
| Non-current assets                                       | 139,678             | 139,678          | 11,180              | 12,783           |
| Current assets   | –                   | –                | 128,659             | 221,827          |
| Current liabilities                                      | (545)               | (373)            | (122,640)           | (207,026)        |
| Net assets   | 139,133             | 139,305          | 17,199              | 27,584           |
| Accumulated NCI  | 41,740              | 41,792           | 4,305               | 6,898            |
| <b>Year ended 31 March:</b>                              |                     |                  |                     |                  |
| (Loss)/profit  | (173)               | (178)            | (10,366)            | 8,904            |
| (Loss)/profit allocated to NCI                           | (52)                | (53)             | (2,592)             | 2,226            |
| Net cash generated from<br>operating activities          | –                   | –                | 37,544              | 41,865           |
| Net cash generate from/(used in)<br>investing activities | –                   | –                | 6,064               | (6,595)          |
| Net cash used in financing<br>activities                 | –                   | –                | (63,089)            | (3,128)          |
| Net changes in cash and cash<br>equivalents              | –                   | –                | (19,481)            | 32,142           |

As at 31 March 2016, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to HK\$247,000 (2015: HK\$1,067,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 24. INTEREST IN A JOINT OPERATION

Details of the Group's net interest in the joint operation, which is accounted for in the consolidated financial statements using the accounting policy in note 4(d), are as follows:

| Name of joint operation/<br>principal activities          | Form of<br>business structure | Place of<br>business | Proportion of<br>participation<br>interest held<br>by the Group<br>% |
|---|-------------------------------|----------------------|--|
| 笋崗項目 (Provision of office<br>rental and related services) | Tenant-in-common<br>agreement | The PRC              | 50%  |

The Group, through an indirect subsidiary, 中亞第一商務有限公司 (“中亞第一”), entered into a tenant-in-common agreement with an independent individual. Each of 中亞第一 and the independent individual owned 50% tenant-in-common interest in “深圳市羅湖區寶安北路笋崗二區七號倉庫東翼1-5層” (the “Property”) for the purpose of subleasing the Property.

As at 31 March 2016, no interest in a joint operation was accounted for due to the disposal of 中亞第一 (note 45(b)).

## 25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                            | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------------------|------------------|------------------|
| Unlisted equity securities | 63,229           | —                |
| Analysed as:               |                  |                  |
| Current assets             | —                | —                |
| Non-current assets         | 63,229           | —                |
|                            | 63,229           | —                |

The unlisted equity securities represented an investment of 7% equity interest in a private entity incorporated in the BVI. This investment is carried at cost it does not have a quoted market price in an active market and its fair value cannot be reliably measured.

Available-for-sale financial assets are denominated in HK\$.

The financial assets are not either past due or impaired.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 26. INVESTMENTS IN ASSOCIATES

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Unlisted investments:  |                  |                  |
| Share of net assets  | 107,129          | 129,032          |
| Goodwill   | 132,003          | 132,003          |
|  | 239,132          | 261,035          |
| Impairment losses on investments in associates ( <i>note (b)</i> ) | (124,284)        | (99,336)         |
|  | 114,848          | 161,699          |

*Notes:*

- (a) The amounts due from/(to) associates are unsecured, interest-free and repayable on demand.
- (b) The recoverable amount of the investments in associates, 陽江市中裕房地產開發有限公司 ("Zhongyu") and 陽江市陽東富力房地產發展有限公司 (formerly known as 陽東富力房地產發展有限公司) ("Fuli"), are determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rate and budgeted turnover. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investments in Zhongyu and Fuli. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the associate operates. Budgeted turnover are based on expectations on market development of related operations.
- The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors covering a five-year period with the pre-tax rate of 14% (2015: 10%).
- As at 31 March 2016, accumulated impairment losses of HK\$124,284,000 (2015: HK\$99,336,000) were made on the investments in Zhongyu and Fuli with reference to the recoverable amounts of the associates. The decrease in recoverable amounts of the associates was due to the current market downturn in the property industry in the PRC.
- (c) On 5 May 2014, the Group entered into an agreement with a third party to dispose its 33.33% equity interest in Jun Feng Enterprise (HK) Limited ("Jun Feng") at a consideration of HK\$333,000. A gain on disposal of the investment in this associate of HK\$333,000 was recognised in the profit or loss during the year ended 31 March 2015.

Details of the Group's associates at 31 March 2016 are as follows:

| Name    | Place of establishment | Particulars of registered capital | Percentage of ownership interest<br>2016/2015 | Principal activities |
|---------|------------------------|-----------------------------------|---|----------------------|
| Fuli    | The PRC                | RMB1,000,000                      | 25%/25%                                       | Property development |
| Zhongyu | The PRC                | RMB10,000,000                     | 50%/50%                                       | Property development |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 26. INVESTMENTS IN ASSOCIATES (Continued)

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

| Name  | Zhongyu                               |           | Fuli                                  |           |
|---|---------------------------------------|-----------|---------------------------------------|-----------|
|   | 2016                                  | 2015      | 2016                                  | 2015      |
| Principal place of business/<br>country of establishment        | The PRC/<br>The PRC                   |           | The PRC/<br>The PRC                   |           |
| Principal activities  | Property<br>development<br>in the PRC |           | Property<br>development<br>in the PRC |           |
| % of ownership interests/<br>voting rights held<br>by the Group | 50%/50%                               |           | 25%/25%                               |           |
|   | HK\$'000                              | HK\$'000  | HK\$'000                              | HK\$'000  |
| <b>At 31 March:</b>   |                                       |           |                                       |           |
| Non-current assets  | 147                                   | 200       | 42                                    | 60        |
| Current assets  | 406,717                               | 584,850   | 170,908                               | 236,041   |
| Non-current liabilities   | (37,169)                              | (63,081)  | (25,056)                              | (40,664)  |
| Current liabilities   | (190,834)                             | (287,926) | (97,967)                              | (146,378) |
| Net assets  | 178,861                               | 234,043   | 47,927                                | 49,059    |
| Group's share of net assets                                     | 89,430                                | 117,022   | 11,982                                | 12,265    |
| Exchange realignment  | 5,427                                 | 68        | 290                                   | (321)     |
| Goodwill  | –                                     | 22,518    | 7,719                                 | 10,149    |
| Group's share of carrying<br>amount of interests                | 94,857                                | 139,608   | 19,991                                | 22,093    |
| <b>Year ended 31 March</b>                                      |                                       |           |                                       |           |
| Revenue   | 185,061                               | 23,170    | 58,218                                | 9,936     |
| (Loss)/profit from operations                                   | (44,463)                              | (763)     | 1,313                                 | (3,233)   |
| Other comprehensive income                                      | (10,718)                              | 1,130     | (2,445)                               | 239       |
| Total comprehensive income                                      | (55,181)                              | 367       | (1,132)                               | (2,994)   |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 26. INVESTMENTS IN ASSOCIATES (Continued)

As at 31 March 2016, the bank and cash balances of the Group' associates in the PRC denominated in RMB amounted to HK\$16,153,000 (2015: HK\$35,623,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 27. INVENTORIES

|                | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------|------------------|------------------|
| Finished goods | 10,537           | 32,162           |

## 28. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| Trade receivables (notes (a), (b) and (d))                          | 55,027           | 37,921           |
| Less: Allowance for impairment of bad and doubtful debts (note (c)) | —                | —                |
|   | 55,027           | 37,921           |
| Bills receivables   | 1,323            | 62,995           |
| Other receivables   | 55,544           | 3,170            |
| Deposits and prepayments  | 4,018            | 24,212           |
|   | 115,912          | 128,298          |

Notes:

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

|               | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------|------------------|------------------|
| 0 to 30 days  | 38,294           | 22,053           |
| 31 to 60 days | 5,083            | 6,680            |
| 61 to 90 days | 6,503            | 8,005            |
| Over 90 days  | 5,147            | 1,183            |
|               | 55,027           | 37,921           |

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

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



# Notes to the Consolidated Financial Statements

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## 28. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

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

|             | HK\$<br>HK\$'000 | US\$<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|-------------|------------------|------------------|--------------------|-------------------|
| <b>2016</b> | <b>1,019</b>     | <b>54,008</b>    | <b>–</b>           | <b>55,027</b>     |
| 2015        | 625              | 37,293           | 3                  | 37,921            |

- (c) As at 31 March 2016, no allowance was made for estimated irrecoverable trade receivables (2015: Nil). Allowance for trade receivables recognised in previous years was reversed due to subsequent settlement made by respective customers during the year ended 31 March 2015.

Reconciliation of allowance for trade receivables:

|             | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------|------------------|------------------|
| At 1 April  | –                | 612              |
| Reversal    | –                | (612)            |
| At 31 March | –                | –                |

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

As at 31 March 2016, trade debtors of approximately HK\$438,000 (2015: approximately HK\$15,932,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

|               | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------|------------------|------------------|
| Up to 30 days | 438              | 6,682            |
| 31 to 60 days | –                | 8,005            |
| Over 60 days  | –                | 1,245            |
|               | <b>438</b>       | <b>15,932</b>    |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 29. PROPERTIES UNDER DEVELOPMENT

|                     | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------|------------------|------------------|
| At 1 April          | 61,014           | 60,660           |
| Additions           | 366              | 314              |
| Write-down          | (15,295)         | —                |
| Exchange difference | (405)            | 40               |
| At 31 March         | 45,680           | 61,014           |

The properties under development include costs of acquiring rights to use certain lands, which are located in Yangjiang City, Guangdong Province, the PRC. Land use rights are held on leases of 36 years.

## 30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

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

|                           | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Cash on hand              | 89               | 2,560            |
| Cash at bank              | 38,797           | 55,910           |
| Cash and cash equivalents | 38,886           | 58,470           |

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

|      | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------|------------------|------------------|
| US\$ | 36,361           | 52,571           |
| HK\$ | 2,200            | 2,247            |
| RMB  | 325              | 3,652            |
|      | 38,886           | 58,470           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES (Continued)

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

|      | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------|------------------|------------------|
| US\$ | 20,564           | 7,093            |
| RMB  | –                | 19,134           |
|      | 20,564           | 26,227           |

The pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group (note 34).

## 31. TRADE AND OTHER PAYABLES AND RECEIPT IN ADVANCE

|                                    | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| Trade payables (notes (a) and (b)) | 59,967           | 48,590           |
| Other payables (note (c))          | 34,279           | 48,258           |
| Receipt in advance                 | 1,496            | 4,280            |
| Bond interest payables             | 1,461            | 1,461            |
|                                    | 97,203           | 102,589          |

Notes:

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

|               | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------|------------------|------------------|
| 0 to 30 days  | 41,587           | 33,074           |
| 31 to 60 days | 13,940           | 11,728           |
| 61 to 90 days | 3,110            | 3,243            |
| Over 90 days  | 1,330            | 545              |
|               | 59,967           | 48,590           |

- (b) The carrying amounts of the Group's trade payables are denominated in US\$.
- (c) As at 31 March 2016, other payables included an amount of HK\$1,959,000 (2015: HK\$244,000) due to a director, Mr. So Loi Fat. The amount was unsecured, interest-free and had no fixed term of repayment.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 32. DUE TO A NON-CONTROLLING SHAREHOLDER

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

## 33. WARRANTS

The warrants liabilities were classified as held for trading.

On 15 January 2013, the Company entered into a warrant placing agreement with KGI Asia Limited in respect of the placement of 120,000,000 non-listed warrants at a price of HK\$0.01 each to not less than six independent investors. Each warrant entitled the holder to subscribe for one ordinary share at an exercise price of not less than HK\$0.167 each on or after the date of issue until three years after the issue date. The placement was completed on 31 January 2013 and the net proceed from the placement was HK\$1,150,000, net of warrant issue expense.

During the year ended 31 March 2015, all warrants were exercised and the change in fair value was charged to profit or loss.

The movement of fair value changes of the warrants was below:

|                 | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------|------------------|------------------|
| At 1 April      | —                | 9,348            |
| Fair value gain | —                | (9,348)          |
| At 31 March     | —                | —                |

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 34. BANK AND OTHER LOANS

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

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| <b>Current liabilities</b>                                      |                  |                  |
| Secured bank loans subject to repayable on demand clause (i)    | 3,665            | 16,984           |
| Secured bank loans on demand or within one year (i)             | 297              | 652              |
| Unsecured other loan subject to repayable on demand clause (ii) | 4,066            | 7,457            |
| Bank invoice loans (iii)  | 46,958           | 108,984          |
|   | 54,986           | 134,077          |

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

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

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| On demand or within one year                     | 51,321           | 117,093          |
| In the second year                               | 303              | 668              |
| In the third to fifth years, inclusive           | 841              | 1,904            |
| After five years                                 | 2,521            | 14,412           |
|  | 54,986           | 134,077          |
| Less: Amount due for settlement within 12 months | (51,357)         | (117,093)        |
| Amount due for settlement after 12 months        | 3,629            | 16,984           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 34. BANK AND OTHER LOANS (Continued)

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

|      | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------|------------------|------------------|
| HK\$ | 8,028            | 24,318           |
| US\$ | 46,958           | 109,759          |
|      | 54,986           | 134,077          |

The ranges of interest rates paid were as follows:

|                             | 2016          | 2015                     |
|-----------------------------|---------------|--------------------------|
| (i) Bank loans              | 2.25% to 2.5% | 2.25% to 5%              |
| (ii) Other loan – unsecured | 1% per month  | 1% per month to 24% p.a. |
| (iii) Bank invoice loans    | 2.56% to 4%   | 2.71% to 3.5%            |

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

At 31 March 2016, the above bank and other loans are secured by the following:

- (a) legal charge over leasehold properties of the Group (note 19);
- (b) legal charge over investment properties of the Group (note 20);
- (c) legal charge over properties owned by the directors and a related person of a subsidiary;
- (d) personal guarantees with unlimited amount given by directors of subsidiaries;
- (e) corporate guarantees provided by the Company;
- (f) pledged bank deposits of a subsidiary (note 30).

During the year ended 31 March 2015, the Group breached certain covenant clauses in a banking facility agreement. As a result, bank loans of HK\$1,901,000 as at 31 March 2015 were subject to an early repayment option by the bank. The bank had not requested for the early repayment of the bank loan.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 35. CONVERTIBLE BONDS

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Liability components of convertible bonds<br>Convertible bonds 4 ("CB4")                   | –                | 45,922           |
| The maturity of the liability components of<br>the convertible bonds:<br>– Within one year | –                | 45,922           |

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 35. CONVERTIBLE BONDS (Continued)

During the year, CB4 with principal amount of HK\$45,688,000 (2015: HK\$40,000,000) were converted into ordinary shares (note 41(c)).

|  | Put Option<br>HK\$'000 | Call Option<br>HK\$'000 | Liability<br>component<br>HK\$'000 | Equity<br>component<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------|-------------------------|------------------------------------|---------------------------------|-------------------|
| <b>(Asset)/liability/equity</b>                      |                        |                         |                                    |                                 |                   |
| At 1 April 2015                                      | (4,690)                | 1                       | 45,922                             | 59,161                          | 100,394           |
| Effective interest expense<br>recognised             | –                      | –                       | 1,578                              | –                               | 1,578             |
| Repayment of interest                                | –                      | –                       | (1,817)                            | –                               | (1,817)           |
| Transfer to equity upon<br>conversion                | –                      | –                       | (45,683)                           | (59,161)                        | (104,844)         |
| Fair value loss/(gain)                               | 4,690                  | (1)                     | –                                  | –                               | 4,689             |
| <b>(Asset)/liability/equity<br/>at 31 March 2016</b> | <b>–</b>               | <b>–</b>                | <b>–</b>                           | <b>–</b>                        | <b>–</b>          |

  

|  | Put Option<br>HK\$'000 | Call Option<br>HK\$'000 | Liability<br>component<br>HK\$'000 | Equity<br>component<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------|-------------------------|------------------------------------|---------------------------------|-------------------|
| <b>(Asset)/liability/equity</b>                      |                        |                         |                                    |                                 |                   |
| At 1 April 2014                                      | (3,881)                | 30                      | 84,325                             | 110,957                         | 191,431           |
| Effective interest expense<br>recognised             | –                      | –                       | 3,621                              | –                               | 3,621             |
| Repayment of interest                                | –                      | –                       | (3,078)                            | –                               | (3,078)           |
| Transfer to equity upon<br>conversion                | –                      | –                       | (38,946)                           | (51,796)                        | (90,742)          |
| Fair value gains                                     | (809)                  | (29)                    | –                                  | –                               | (838)             |
| <b>(Asset)/liability/equity<br/>at 31 March 2015</b> | <b>(4,690)</b>         | <b>1</b>                | <b>45,922</b>                      | <b>59,161</b>                   | <b>100,394</b>    |

The interest charged for the year is calculated by applying an effective interest rate of 6.38% to the liability component.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 35. CONVERTIBLE BONDS (Continued)

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

The directors estimated the fair value of the liability component of the CB4 as at 31 March 2015 to be approximately HK\$45,446,000. The fair value was calculated by discounting the future cash flows at the market rate (level 2 fair value measurements).

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

|                            | 31 March 2015 |
|----------------------------|---------------|
| Share price of the Company | HK\$0.134     |
| Expected volatility        | 74%           |
| Expected life              | 0.56 year     |
| Risk free rate             | 0.07%         |
| Coupon rate (annual)       | 4%            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 36. FINANCE LEASE PAYABLES

|  | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|--|------------------------|------------------|---|------------------|
|  | 2016<br>HK\$'000       | 2015<br>HK\$'000 | 2016<br>HK\$'000                        | 2015<br>HK\$'000 |
| Within one year  | 421                    | 785              | 391                                     | 727              |
| Less: Future finance charges   | (1)                    | (58)             | —                                       | —                |
| Present value of lease obligations   | 420                    | 727              | 391                                     | 727              |
| Less: Amount due for settlement within 12 months (shown under current liabilities) |                        |                  | (391)                                   | (727)            |
| Amount due for settlement after 12 months  |                        |                  | —                                       | —                |

It is the Group's policy to lease its motor vehicle under finance leases. The average lease term is 4 years. As at 31 March 2016, the average effective borrowing rate was 5.70% (2015: 5.70%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at nominal prices.

All finance lease payables are denominated in HK\$.

The Group's finance lease payables are secured by the lessor's title to the leased assets (note 19).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 37. PROMISSORY NOTE

As at 31 March 2016, the promissory note with principal amount of HK\$38,000,000 issued by the Group represented the outstanding consideration for the acquisition of the 7% equity interest in a private entity as set out in note 25.

The promissory note was unsecured, interest free and with maturity date on 28 January 2018. The note holder may at any time before 28 January 2018 by serving at least three months' prior written notice on the Company for the repayment of whole principal amount of promissory note or any part of it in amounts of not less than HK\$1,000,000 or other amounts as agreed mutually. The principal amount of the promissory note is denominated in HK\$.

## 38. LONG TERM BONDS

|                                       | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Unsecured long term bonds, repayable: |                  |                  |
| Between 2 and 5 years                 | 40,000           | —                |
| After 5 years                         | —                | 40,000           |
|                                       | 40,000           | 40,000           |

Long term bonds as at 31 March 2015 and 2016 comprised:

- (i) Long term bonds with an aggregate principal amount of HK\$20,000,000 issued by the Company to certain investors on 3 April 2013 and 20 June 2013 pursuant to the subscription agreement dated 18 February 2013, of which (i) HK\$10,000,000 is due on 2 April 2020 and bears interest at the rate of 5% per annum, and (ii) HK\$10,000,000 is due on 19 June 2020 and bears interest at the rate of 5% per annum; and
- (ii) Long term bonds with an aggregate principal amount of HK\$20,000,000 issued by the Company to certain investors on 5 September 2013 pursuant to the subscription agreement dated 29 August 2013 which is due on 4 September 2020 and bears interest at the rate of 5% per annum.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 39. DEFERRED TAX LIABILITIES

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

|   | Revaluation<br>of leasehold<br>properties<br>HK\$'000 |
|---|---|
| At 1 April 2014                                 | 178   |
| Credit to profit or loss for the year (note 12) | (4)   |
| At 31 March 2015 and 1 April 2015               | 174   |
| Credit to profit or loss for the year (note 12) | (4)   |
| <b>At 31 March 2016</b>                         | <b>170</b>  |

At the end of the reporting period, the Group has unused tax losses of approximately HK\$12,233,000 (2015: HK\$5,704,000) available to offset against future profits. No deferred tax asset has been recognised in 2015 and 2016 due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$2,974,000 (2015: HK\$3,402,000) that will expire within 5 years. Other tax losses may be carried forward indefinitely.

## 40. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK\$1,500 (2015: HK\$1,500) per employee and vest fully with employees when contributed into the MPF Scheme.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 41. SHARE CAPITAL

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Authorised:<br>40,000,000,000 (2015: 40,000,000,000) ordinary<br>shares of US\$0.001 (2015: US\$0.001) each          | 312,000          | 312,000          |
| Issued and fully paid:<br>3,586,291,946 (2015: 2,666,092,967) ordinary<br>shares of US\$0.001 (2015: US\$0.001) each | 28,025           | 20,847           |

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

|  | Number of<br>shares  | Amount<br>HK\$'000 |
|--|----------------------|--------------------|
| At 1 April 2014  | 2,001,028,936        | 15,659             |
| Shares issued upon conversion of convertible bonds<br>(notes (a), (b) and (c)) | 517,100,685          | 4,034              |
| Shares issued upon exercise of share option (note (d))                         | 27,963,346           | 218                |
| Shares issued upon exercise of warrants (note (e))                             | 120,000,000          | 936                |
| At 31 March 2015 and 1 April 2015  | 2,666,092,967        | 20,847             |
| Shares issued upon conversion of convertible bonds<br>(note (c))               | 466,198,979          | 3,636              |
| Shares issued upon exercise of share options<br>(note (d))                     | 7,000,000            | 55                 |
| Shares issued upon placement (note (f))  | 447,000,000          | 3,487              |
| <b>At 31 March 2016</b>  | <b>3,586,291,946</b> | <b>28,025</b>      |

Notes:

- (a) On 29 May 2014, principal amount of HK\$2,500,000 convertible bonds ("CB1") with carrying amount of HK\$2,498,000 at conversion date were converted into ordinary share at a conversion price of HK\$0.163 per share, resulting in an issue of 15,337,423 new ordinary shares of US\$0.001 each and new share capital of approximately HK\$120,000 and share premium of approximately HK\$2,378,000, together with a release of the convertible bonds reserve amounting to approximately HK\$709,000 credited to the share premium account.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 41. SHARE CAPITAL (Continued)

Notes: (Continued)

- (b) On 21 November 2014, principal amount of HK\$23,400,000 convertible bonds ("CB3") with carrying amount of HK\$21,422,000 at conversion date were converted into ordinary share at a conversion price of HK\$0.25 per share, resulting in an issue of 93,600,000 new ordinary shares of US\$0.001 each and new share capital of approximately HK\$730,000 and share premium of approximately HK\$20,692,000 together with a release of the convertible bonds reserve amounting to approximately HK\$7,636,000 credited to the share premium account.
- (c) During the year ended 31 March 2016, principal amount of approximately HK\$45,688,000 (2015: HK\$40,000,000) convertible bonds ("CB4") with carrying amount of HK\$45,683,000 (2015: HK\$38,946,000) at conversion date were converted into ordinary share at a conversion price of HK\$0.098 per share, resulting in an issue of 466,198,979 (2015: 408,163,262) new ordinary shares of US\$0.001 each and new share capital of approximately HK\$3,636,000 (2015: HK\$3,184,000) and share premium of approximately HK\$101,208,000 (2015: HK\$35,762,000), together with a release of the convertible bonds reserve amounting to approximately HK\$59,161,000 (2015: HK\$51,796,000) credited to the share premium account. Details of convertible bonds movements during the year are set out in note 35 to the consolidated financial statements.
- (d) During the year ended 31 March 2016, 7,000,000 (2015: 1,163,346 and 26,800,000) share options were exercised at exercise price HK\$0.150 per share (2015: HK\$0.135 per share and HK\$0.150 per share respectively), resulting in an issue of 7,000,000 (2015: 27,963,346) new ordinary shares of US\$0.001 each and new share capital of approximately HK\$55,000 (2015: HK\$218,000) and share premium of approximately HK\$995,000 (2015: HK\$3,960,000) together with a release of the share option reserve amounting to approximately HK\$644,000 (2015: HK\$2,534,000) credited to the share premium account.
- (e) During the year ended 31 March 2015, 120,000,000 warrants were exercised at exercise price HK\$0.168 per share, resulting in an issue of 120,000,000 new ordinary shares of US\$0.001 each and new share capital of approximately HK\$936,000 and share premium of approximately HK\$19,224,000 before any transaction cost.
- (f) On 20 August 2015, the Company entered into a conditional placing agreement with a placing agent for the placing of 447,000,000 placing shares at a price of HK\$0.095 per placing share. The placing was completed on 4 September 2015 and the net proceeds from placing were approximately HK\$41,111,000. The amounts of HK\$3,487,000 and HK\$38,978,000 were credited to share capital and the share premium account respectively.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 41. SHARE CAPITAL (Continued)

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

|                              | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Debt (a)                     | 133,377          | 220,726          |
| Less: Bank and cash balances | (38,886)         | (58,470)         |
| Pledged bank deposits        | (20,564)         | (26,227)         |
| Net debt                     | 73,927           | 136,029          |
| Equity (b)                   | 172,019          | 196,397          |
| Net debt to equity ratio     | 43%              | 69%              |

(a) Debt is defined as bank and other loans, liability components of convertible bonds, finance lease payables, promissory note and long term bonds, as detailed in notes 34, 35, 36, 37 and 38 to the consolidated financial statements.

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

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

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group checks the substantial share interests showing the non-public float through the Stock Exchange's website and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2016, 42.23% (2015: 52.91%) of shares were in public hands.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position

|  | Note  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                    |       |                  |                  |
| Property, plant and equipment                |       | 1,551            | 1,987            |
| Investments in subsidiaries                  |       | 156,668          | 200,040          |
|  |       | 158,219          | 202,027          |
| <b>Current assets</b>                        |       |                  |                  |
| Due from subsidiaries                        |       | 72,536           | 72,064           |
| Prepayments and other receivables            |       | 961              | 4,264            |
| Put Option of convertible bonds              |       | –                | 4,690            |
| Bank and cash balances                       |       | 1,556            | 561              |
|  |       | 75,053           | 81,579           |
| <b>Current liabilities</b>                   |       |                  |                  |
| Due to subsidiaries                          |       | 276              | 120              |
| Other payables                               |       | 3,197            | 4,411            |
| Call Option of convertibles bonds            |       | –                | 1                |
| Liability components of convertible bonds    |       | –                | 45,922           |
| Promissory note                              |       | 38,000           | –                |
|  |       | 41,473           | 50,454           |
| <b>Net current assets</b>                    |       | 33,580           | 31,125           |
| <b>Total assets less current liabilities</b> |       | 191,799          | 233,152          |
| <b>Non-current liabilities</b>               |       |                  |                  |
| Long term bonds                              |       | 40,000           | 40,000           |
| <b>NET ASSETS</b>                            |       | 151,799          | 193,152          |
| <b>Capital and reserves</b>                  |       |                  |                  |
| Share capital                                | 41    | 28,025           | 20,847           |
| Reserves                                     | 42(b) | 123,774          | 172,305          |
| <b>TOTAL EQUITY</b>                          |       | 151,799          | 193,152          |

Approved by the Board of Directors on 27 June 2016 and are signed on its behalf by:

So Loi Fat  
Director

Chen Dongquan  
Director



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (b) Reserve movement of the Company

|  | Share<br>premium<br>account<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Share-based<br>payments<br>reserve<br>HK\$'000 | Foreign<br>translation<br>reserve<br>HK\$'000 | Warrant<br>reserve<br>HK\$'000 | Convertible<br>bonds<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|------------------------------------|--|--|---|--------------------------------|---|-----------------------------------|-------------------|
| At 1 April 2014  | 125,369                                 | 16,375                             | 2,943  | 9,788  | -   | 7,400                          | 119,302                                     | (217,218)                         | 63,959            |
| Profit for the year                                    | -                                       | -                                  | -  | -  | -   | -                              | -   | 26,389                            | 26,389            |
| Shares issued upon exercise of warrants                | 19,224                                  | -                                  | -  | -  | -   | -                              | -   | -                                 | 19,224            |
| Shares issued upon conversion of convertible bonds     | 118,972                                 | -                                  | -  | -  | -   | -                              | (60,141)                                    | -                                 | 58,831            |
| Transactions costs attributable to issue of new shares | (58)                                    | -                                  | -  | -  | -   | -                              | -   | -                                 | (58)              |
| Shares issued upon exercise of share options           | 6,494                                   | -                                  | -  | (2,534)  | -   | -                              | -   | -                                 | 3,960             |
| Forfeiture of share options                            | -                                       | -                                  | -  | (2,034)  | -   | -                              | -   | 2,034                             | -                 |
| Lapsed of warrants                                     | -                                       | -                                  | -  | -  | -   | (7,400)                        | -   | 7,400                             | -                 |
| Changes in equity for the year                         | 144,632                                 | -                                  | -  | (4,568)  | -   | (7,400)                        | (60,141)                                    | 35,823                            | 108,346           |
| At 31 March 2015                                       | 270,001                                 | 16,375                             | 2,943  | 5,220  | -   | -                              | 59,161                                      | (181,395)                         | 172,305           |
| Loss for the year                                      | -                                       | -                                  | -  | -  | 13  | -                              | -   | (129,210)                         | (129,197)         |
| Shares issued upon placement                           | 38,978                                  | -                                  | -  | -  | -   | -                              | -   | -                                 | 38,978            |
| Shares issued upon conversion of convertible bonds     | 101,208                                 | -                                  | -  | -  | -   | -                              | (59,161)                                    | -                                 | 42,047            |
| Transactions costs attributable to issue of new shares | (1,354)                                 | -                                  | -  | -  | -   | -                              | -   | -                                 | (1,354)           |
| Shares issued upon exercise of share options           | 1,639                                   | -                                  | -  | (644)  | -   | -                              | -   | -                                 | 995               |
| Forfeiture of share options                            | -                                       | -                                  | -  | (812)  | -   | -                              | -   | 812                               | -                 |
| Changes in equity for the year                         | 140,471                                 | -                                  | -  | (1,456)  | 13  | -                              | (59,161)                                    | (128,398)                         | (48,531)          |
| At 31 March 2016                                       | 410,472                                 | 16,375                             | 2,943  | 3,764  | 13  | -                              | -   | (309,793)                         | 123,774           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 43. RESERVES

### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Nature and purpose of reserves

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

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

#### (ii) *Contributed surplus*

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

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

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

#### (iv) *Foreign currency translation reserve*

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

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

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(aa) to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 43. RESERVES (Continued)

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

#### (vi) Warrant reserve

The warrant reserve represents the fair value of warrants with issued amount of HK\$2,000,000 issued by the Company as part of the purchase consideration for the acquisition of subsidiaries on 3 June 2011. Each warrant entitles the holder thereof to subscribe for one ordinary share at a subscription price of HK\$0.222 per share on or after one year after issue date until three years after the issue date. The subscription price was adjusted to HK\$0.150 per share due to the completion of open offer on 20 June 2011. During the year ended 31 March 2015, total of 148,000,000 warrants were lapsed.

#### (vii) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds set out in note 4(u) to the consolidated financial statements.

## 44. SHARE-BASED PAYMENTS

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

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

The maximum number of unexercised share options permitted to be granted under all share option schemes are a number equivalent, upon their exercise, to 10% of the shares of the Company on grant date. The maximum number of shares issuable under all share options to each eligible participant in all share options schemes within any 12-month period, is limited to 1% of the shares of the Company on grant date. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting. As at 31 March 2015, the Pre-IPO Share Option Scheme already expired and no share option was permitted to be granted.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 44. SHARE-BASED PAYMENTS (Continued)

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

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

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

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

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

Details of the specific categories of options were as follows:

|       | Date of grant | Vesting period            | Exercise period           | Exercise price<br>HK\$ |
|-------|---------------|---------------------------|---------------------------|------------------------|
| 2007A | 9.2.2007      | 9.2.2007 to<br>8.2.2008   | 9.2.2008 to<br>8.2.2017   | 0.078                  |
| 2008A | 12.2.2008     | 12.2.2008 to<br>11.2.2009 | 12.2.2009 to<br>11.2.2018 | 0.152                  |



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 44. SHARE-BASED PAYMENTS (Continued)

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

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

|                                  | 2016                    |                                      | 2015                    |                                      |
|----------------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|
|                                  | Number of share options | Weighted average exercise price HK\$ | Number of share options | Weighted average exercise price HK\$ |
| Outstanding at beginning of year | –                       | –                                    | 37,695                  | 0.127                                |
| Lapsed                           | –                       | –                                    | (37,695)                | (0.127)                              |
| Outstanding at end of year       | –                       | N/A                                  | –                       | N/A                                  |
| Exercisable at end of year       | –                       | N/A                                  | –                       | N/A                                  |

No share option had been exercised during the year ended 31 March 2015.

### (b) Share Option Scheme

Details of the specific categories of options are as follows:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 44. SHARE-BASED PAYMENTS (Continued)

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

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

|                                     | 2016                          |  | 2015                          |  |
|-------------------------------------|-------------------------------|--|-------------------------------|--|
|                                     | Number<br>of share<br>options | Weighted<br>average<br>exercise<br>price<br>HK\$ | Number<br>of share<br>options | Weighted<br>average<br>exercise<br>price<br>HK\$ |
| Outstanding at<br>beginning of year | 11,500,000                    | 0.140  | 12,814,126                    | 0.139  |
| Lapsed                              | (4,000,000)                   | 0.140  | (150,780)                     | 0.107  |
| Exercised                           | –                             | –  | (1,163,346)                   | 0.135  |
| Outstanding at<br>end of year       | 7,500,000                     | 0.140  | 11,500,000                    | 0.140  |
| Exercisable at<br>end of year       | 7,500,000                     | 0.140  | 11,500,000                    | 0.140  |

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2015 was HK\$0.201. 1,163,346 share options have been exercised during the year ended 31 March 2015. No share options have been exercised during the year ended 31 March 2016. The options outstanding at the end of the year have a weighted average remaining contractual life of 5.22 years (2015: 6.22 years) and the exercise prices at HK\$0.140 (2015: range from HK\$0.107 to HK\$0.140).

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 44. SHARE-BASED PAYMENTS (Continued)

### (c) New Share Option Scheme

Details of the specific categories of options are as follows:

|       | Date of grant | Vesting period | Exercise period           | Exercise price<br>HK\$ |
|-------|---------------|----------------|---------------------------|------------------------|
| 2013A | 28.3.2013     | N/A            | 28.3.2013 to<br>27.3.2023 | 0.150                  |

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

|                                  | 2016                    |   | 2015                    |   |
|----------------------------------|-------------------------|---|-------------------------|---|
|                                  | Number of share options | Weighted average exercise price<br>HK\$ | Number of share options | Weighted average exercise price<br>HK\$ |
| Outstanding at beginning of year | 48,650,000              | 0.150                                   | 97,450,000              | 0.150                                   |
| Lapsed                           | (6,000,000)             | 0.150                                   | (22,000,000)            | 0.150                                   |
| Exercised                        | (7,000,000)             | 0.150                                   | (26,800,000)            | 0.150                                   |
| Outstanding at end of year       | 35,650,000              | 0.150                                   | 48,650,000              | 0.150                                   |
| Exercisable at end of year       | 35,650,000              | 0.150                                   | 48,650,000              | 0.150                                   |

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2016 was HK\$0.150. 7,000,000 (2015: 26,800,000) share options have been exercised during the year ended 31 March 2016. The options outstanding at the end of the year have a weighted average remaining contractual life of 6.99 years (2015: 7.99 years) and the exercise price was HK\$0.150 (2015: HK\$0.150). During the year, no options were granted.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (a) Disposal of Star Global Industries Limited ("Star Global")

On 23 October 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Star Global. Details of the disposal were set out in the Company's announcement dated 23 October 2015. Star Global held an investment property located in Hong Kong. The consideration for the disposal was satisfied by cash of HK\$22,400,000 and transfer of debt of HK\$22,179,000 and the completion date was 29 January 2016.

Net assets at the date of disposal were as follows:

|  | HK\$'000 |
|--|----------|
| Property, plant and equipments                       | 3,376    |
| Investment property                                  | 34,000   |
| Trade and other receivables, deposits and prepayment | 520      |
| Bank and cash balances                               | 56       |
| Due to former immediate holding company              | (22,179) |
| Other payables                                       | (134)    |
| Bank borrowings                                      | (13,117) |
| Net assets disposed of                               | 2,522    |
| Loss on disposal of a subsidiary                     | (2,301)  |
| Total consideration                                  | 221      |
| Satisfied by:  |          |
| Cash   | 22,400   |
| Debt transferred                                     | (22,179) |
|  | 221      |
| Net cash inflow arising on disposal:                 |          |
| Cash consideration received                          | 22,400   |
| Cash and cash equivalents disposed of                | (56)     |
|  | 22,344   |



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (b) Disposal of 中亞第一

On 11 November 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of 51% entire equity interest in 中亞第一 at the consideration of RMB500,000 (equivalent to HK\$620,000). 中亞第一 was principally engaged in property leasing services. The consideration for the disposal was satisfied by cash and the completion date was 22 December 2015.

Net assets at the date of disposal were as follows:

|  | HK\$'000 |
|--|----------|
| Property, plant and equipment                        | 1,332    |
| Trade and other receivables, deposits and prepayment | 2,357    |
| Bank and cash balances                               | 757      |
| Other payables                                       | (2,007)  |
| Tax payables   | (322)    |
| Non-controlling interest                             | (873)    |
| Net assets disposal of                               | 1,244    |
| Release of foreign currency translation reserve      | 48       |
| Loss on disposal of a subsidiary                     | (672)    |
| Total consideration                                  | 620      |
| Satisfied by:  |          |
| Cash   | 620      |
| Net cash outflow arising on disposal:                |          |
| Cash consideration received                          | 620      |
| Cash and cash equivalents disposed of                | (757)    |
|  | (137)    |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (c) Disposal of Mobile Telecom and its subsidiaries

As referred to in note 14 to the consolidated financial statements, on 19 December 2014 the Group discontinued its mobile data solution business at the time of the disposal of Mobile Telecom Group.

Net assets at the date of disposal were as follows:

|  | HK\$'000 |
|--|----------|
| Property, plant and equipment                        | 1,090    |
| Intangible assets                                    | 17       |
| Trade and other receivables, deposits and prepayment | 7,487    |
| Bank and cash balances                               | 5,483    |
| Trade and other payables                             | (11,191) |
| Non-controlling interest                             | 940      |
| Net assets disposed of                               | 3,826    |
| Release of foreign currency translation reserve      | (518)    |
| Gain on disposal of subsidiaries (note 14)           | 5,252    |
| Total consideration                                  | 8,560    |
| Satisfied by:  |          |
| Cash   | 8,560    |
| Net cash inflow arising on disposal:                 |          |
| Cash consideration received                          | 8,560    |
| Cash and cash equivalents disposed of                | (5,483)  |
|  | 3,077    |

### (d) Major non-cash transaction

During the year ended 31 March 2016, the purchase of cross-boundary vehicle licence of approximately HK\$1,718,000 was paid by a director.

During the year ended 31 March 2015, the purchase of a motor vehicle of approximately HK\$600,000 was financed by a finance lease.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 46. CONTINGENT LIABILITIES

During the year ended 31 March 2016, a wholly-owned subsidiary of the Company was under tax investigation by the Shenzhen Provisional Office of State Administration of Taxation regarding the receipt of fictitious Value-Added Tax ("VAT") invoice from certain suppliers for the period from November 2013 to January 2015 as those suppliers were under tax investigation by respective provisional office of State Administration of Taxation. Up to the reporting period end date, the case was still undergoing and the Group considered the probability to win the case was remote, a provision of approximately HK\$6,012,000 was made regarding the overdue payment and the non-deductible input VAT from these suppliers.

As at 31 March 2015, ETC entered into a guarantee agreement with a bank providing a guarantee with respect to a mortgage loan granted by the bank to a related party of ETC since 2011, of which HK\$2,309,000 was outstanding as at 31 March 2015. Under the guarantee agreement, ETC would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. The fair value of the guarantee at date of inception was not material and was not recognised in the consolidated financial statements as the directors considered that it was not probable that the repayment of the loan would be default.

Except for the above, the Group did not have any significant contingent liabilities as at 31 March 2016 (2015: Nil).

## 47. OPERATING LEASE COMMITMENTS

### The Group as lessor

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

At 31 March 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:–

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Within one year                        | –                | 2,283            |
| In the second to fifth years inclusive | –                | 181              |
|  | –                | 2,464            |

At 31 March 2016, no non-cancellable subleases were included in the above total future minimum sublease receivables expected to be received due to disposal of a subsidiary (note 45(b)) (2015: HK\$1,714,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 47. OPERATING LEASE COMMITMENTS (Continued)

### The Group as lessee

As at 31 March 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Within one year                        | 4,488            | 4,221            |
| In the second to fifth years inclusive | 4,298            | 4,729            |
|  | 8,786            | 8,950            |

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of one to four years (2015: one to five years) and rentals are fixed over the lease terms and do not include contingent rent.



## Five Fiscal Years Financial Summary

### RESULTS

|  | For the year ended 31 March |                  |                                |                  |                  |
|--|-----------------------------|------------------|--------------------------------|------------------|------------------|
|  | 2016<br>HK\$'000            | 2015<br>HK\$'000 | 2014<br>HK\$'000<br>(Restated) | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| Revenue  | 666,873                     | 1,190,641        | 941,079                        | 531,611          | 31,602           |
| Loss before taxation                               | (119,831)                   | (4,021)          | (148,482)                      | (68,742)         | (26,862)         |
| Taxation   | (129)                       | (1,436)          | (1,447)                        | (1,434)          | –                |
| Loss for the year                                  | (119,960)                   | (5,457)          | (149,929)                      | (70,176)         | (26,862)         |
| Non-controlling interests                          | (9,349)                     | 2,141            | 858                            | 1,327            | (200)            |
| Loss attributable to equity holders of the Company | (110,611)                   | (7,598)          | (150,787)                      | (71,503)         | (26,662)         |

### ASSETS AND LIABILITIES

|   | At 31 March      |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| Total assets                                    | 477,387          | 604,994          | 597,056          | 416,575          | 170,821          |
| Total liabilities and Non-controlling interests | (305,368)        | (408,597)        | (483,172)        | (347,564)        | (72,232)         |
| Total equity                                    | 172,019          | 196,397          | 113,884          | 69,011           | 98,589           |