



SKY FOREVER
宇恒供應鏈

Sky Forever Supply Chain Management Group Limited
(宇恒供應鏈集團有限公司)

(Incorporated in Bermuda with limited liability)

Stock Code: 8047



2015-2016
Annual Report

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

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

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

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This report, for which the directors (the "Directors") of Sky Forever Supply Chain Management Group Limited (the "Company") for the financial year ended 31 March 2016 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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BOARD OF DIRECTORS

Executive Directors

- Mr. Chen Jiang (*Chairman*)
(*appointed on 7 August 2015 and re-designated as Chairman on 4 May 2016*)
- Mr. Johnny Huang (*appointed on 7 August 2015 and resigned on 4 May 2016*)
- Ms. Huang He (*appointed on 7 August 2015*)
- Mr. Wu Zhinan (*Chief Executive Officer*)
- Mr. Li Zhike (*resigned on 7 August 2015*)
- Mr. Yu Weiye (*appointed on 19 June 2015 and resigned on 7 July 2015*)
- Mr. Zhang Xiaozheng (*appointed on 17 June 2015 and resigned on 28 July 2015*)
- Mr. Gong Dongsheng (*resigned on 19 June 2015*)

Non-executive Directors

- Ms. Chen Nan (*re-designated as a non-executive Director on 19 June 2015 and resigned on 7 August 2015*)
- Mr. Lam Kwok Cheong (*appointed on 17 June 2015 and resigned on 28 July 2015*)

Independent Non-executive Directors

- Mr. Chui Man Lung, Everett (*appointed on 20 May 2015*)
- Mr. Liu Weiliang
- Ms. Li Mei (*appointed on 7 August 2015*)
- Mr. Lung Chee Ming, George (*appointed on 17 June 2015 and resigned on 28 July 2015*)
- Mr. Huang Yunlong (*resigned on 17 June 2015*)
- Mr. Ma Yiu Ho, Peter (*resigned on 20 May 2015*)

COMPANY SECRETARY

- Mr. Fung Nam Shan (*appointed on 20 May 2015*)
- Ms. Chu Wing Sze, Jenny (*resigned on 20 May 2015*)

COMPLIANCE OFFICER

- Mr. Chen Jiang (*appointed on 4 May 2016*)
- Mr. Johnny Huang (*appointed on 7 August 2015 and resigned on 4 May 2016*)
- Mr. Yu Weiye (*appointed on 22 June 2015 and resigned on 7 July 2015*)
- Mr. Li Zhike (*appointed on 28 July 2015 and resigned on 7 August 2015*)
- Mr. Zhang Xiaozheng (*appointed on 7 July 2015 and resigned on 28 July 2015*)
- Ms. Chen Nan (*resigned on 22 June 2015*)

AUTHORISED REPRESENTATIVES

- Mr. Chen Jiang (*appointed on 4 May 2016*)
- Mr. Fung Nam Shan (*appointed on 20 May 2015*)
- Mr. Johnny Huang (*appointed on 7 August 2015 and resigned on 4 May 2016*)
- Mr. Li Zhike (*appointed on 28 July 2015 and resigned on 7 August 2015*)
- Mr. Zhang Xiaozheng (*appointed on 7 July 2015 and resigned on 28 July 2015*)
- Mr. Yu Weiye (*appointed on 22 June 2015 and resigned on 7 July 2015*)
- Mr. Gong Dongsheng (*resigned on 22 June 2015*)
- Ms. Chu Wing Sze, Jenny (*resigned on 20 May 2015*)

AUDIT COMMITTEE

- Mr. Chui Man Lung, Everett (*Chairman*)
(*appointed on 20 May 2015*)
- Mr. Liu Weiliang
- Ms. Li Mei (*appointed on 7 August 2015*)
- Mr. Lung Chee Ming, George (*appointed on 17 June 2015 and resigned on 28 July 2015*)
- Mr. Huang Yunlong (*resigned on 17 June 2015*)
- Mr. Ma Yiu Ho, Peter (*resigned on 20 May 2015*)

REMUNERATION COMMITTEE

- Mr. Chui Man Lung, Everett (*Chairman*)
(*appointed on 20 May 2015 and re-designated as Chairman on 28 July 2015*)
- Mr. Liu Weiliang (*resigned as chairman on 17 June 2015*)
- Ms. Li Mei (*appointed on 7 August 2015*)
- Mr. Lung Chee Ming, George (*appointed on 17 June 2015 and resigned on 28 July 2015*)
- Mr. Huang Yunlong (*resigned on 17 June 2015*)
- Mr. Ma Yiu Ho, Peter (*resigned on 20 May 2015*)

NOMINATION COMMITTEE

- Mr. Chui Man Lung, Everett (*Chairman*)
(*appointed on 28 July 2015*)
- Mr. Liu Weiliang
- Mr. Lung Chee Ming, George (*appointed on 17 June 2015 and resigned on 28 July 2015*)
- Ms. Li Mei (*appointed on 7 August 2015*)
- Mr. Lam Kwok Cheong (*appointed on 19 June 2015 and resigned on 28 July 2015*)
- Mr. Gong Dongsheng (*resigned as Chairman on 17 June 2015 and resigned on 19 June 2015*)
- Mr. Huang Yunlong (*resigned on 17 June 2015*)

AUDITOR

- Mazars CPA Limited
Certified Public Accountants

CORPORATE INFORMATION

LEGAL ADVISER

P.C. Woo & Co.

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2002, 2/F., United Centre
95 Queensway, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

27th Floor, Tower 1,
Times Square Excellence,
Yitian Road, Futian,
Shenzhen, Guangdong,
China

SHARE REGISTRARS AND TRANSFER OFFICES

Principal registrar

Codan Services Limited,
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Branch registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.skyforever.hk

STOCK CODE

8047

On behalf of the board of directors (the "Board"), I hereby present the Annual Report of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2016 (the "Year") to our shareholders.

RESULTS

The Group only recorded an increase in revenue of approximately 2% to approximately HK\$1,665.0 million for the current year as compared to approximately HK\$1,632.9 million in the previous year. There was a slow down in revenue after the completion of various contracts, thus, there was just a slight increase in revenue.

Save for such new sources of income, the Group experienced decreases in the service fee income from lightning electromagnetic pulse protection business and energy management business for the current year as compared for the year ended 31 March 2015. The Group disposed the lightning electromagnetic pulse protection business during the Year.

The Group recorded an increase in gross profit from approximately HK\$9.2 million in the previous year to approximately HK\$9.9 million for the Year. The gross profit margin maintained at 0.6% for both years because of the low profit margin of supply chain management business.

Net loss attributable to equity holders of the Company for the current year amounted to approximately HK\$205.5 million (2015: HK\$59.2 million). The major component of the Group's expenses for the Year being impairment losses of intangible assets, write down of inventories due to substantial decrease in current market price compared with cost of inventories, provision for long outstanding prepayment and the sponsorship fee for football team and consultancy fee paid for introduction of customers and suppliers of supply chain management business.

OPERATIONAL REVIEW

The supply chain management remains the main focus of the Group. The Group is providing intermediate service between suppliers and customers and it takes advantage of the business networks and resources in order to assist SMEs in various industries to minimise the overall operation cost. Owing to the solid financial background of the Group and the great demand for supply chain service in mainland China, the Group has established many strategic partnerships with other supply chain companies, so as to undertake the operation of purchase and sales based on the services on import and export trade, logistic, customs clearance and storage.

To cope with the growing business of the supply chain management, Shenzhen Qianhai Sky Forever Industry Chain Management Company Limited (a wholly-owned subsidiary of the Company) collaborated with SAP (Beijing) Software System Company Limited for designing and building up an effective big data platform. The platform would support point to point operation process, real time planning, execution, reporting and analysis function. It was expected that the new system under our development embodied the main idea of supply chain management – centralised purchase, production, sales, settlement and financial management. The development of the system of big data platform was suspended during the Year and full impairment loss on software development and maintenance cost was made.

CHAIRMAN'S STATEMENT

PROSPECT

With the lead of the management team, the Company is actively exploring business opportunities in other sectors to diversify risks and broaden the sources of income of the Company. The Company has adequate resources to continue with its business operations, and will continue to focus on its corporate objective to develop current businesses in order to strengthen its competitiveness, integrate its capital resources and contribute a maximum wealth to our equity holders.

Noting that the supply chain management business is not having a stable growth during the Year, the Company will pay close attention to its performance and future development. At the same time, the management will continuously monitor and review the overall operation and financial performance of the Group's businesses so as to cope with the ever-changing business environment. The management will keep proactively seeking for other investment and business opportunities with promising prospect to broaden the source of income of the Group and enhance value to the shareholders of the Company.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board and staff for their dedication and contribution to the Group and to those who have supported us. We will continue to make our best efforts in developing our businesses to produce good economic results and better return for our shareholders.

Chen Jiang

Chairman

Hong Kong, 27 June 2016

OPERATION REVIEW

Supply chain management and related services

The supply chain management remains the main focus of the Group. The Group is providing intermediate service between suppliers and customers and it takes advantage of the business networks and resources in order to assist SMEs in various industries to minimise the overall operation cost. Owing to the solid financial background of the Group and the great demand for supply chain service in mainland China, the Group has established many strategic partnerships with other supply chain companies, so as to undertake the operation of purchase and sales based on the services on import and export trade, logistic, customs clearance and storage.

To cope with the growing business of the supply chain management, Shenzhen Qianhai Sky Forever Industry Chain Management Company Limited (a wholly-owned subsidiary of the Company) collaborated with SAP (Beijing) Software System Company Limited for designing and building up an effective big data platform. The platform would support point to point operation process, real time planning, execution, reporting and analysis function. It was expected that the new system under our development embodied the main idea of supply chain management – centralised purchase, production, sales, settlement and financial management. The development of the system of big data platform was suspended during the Year and full impairment loss on software development and maintenance cost was made.

Non-core business

The lightning electromagnetic pulse protection business and energy management business shrunk substantially during the Year as the Group's major customer already completed their projects and the revenue from the maintenance services provided was substantially lower than the revenue from the construction of these devices. In July 2015, the Group disposed its interest in Boomtech which operated the lightning electromagnetic pulse protection business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

The Group only recorded an increase in revenue of approximately 2% to approximately HK\$1,665.0 million for the Year as compared to approximately HK\$1,632.9 million in the previous year. There was a slow down in revenue after the completion of the various contracts, thus, there was just a slight increase in revenue. The Group has continued to develop business relationship with the business partners and potential partners in the People's Republic of China (the "PRC") in order to increase and explore the new sources of income.

Save for such new sources of income, the Group experienced decreases in the service fee income from lightning electromagnetic pulse protection business and energy management business for the Year as compared for the year ended 31 March 2015. The Group disposed the lighting electromagnetic pulse protection business during the Year.

The Group recorded an increase in gross profit from approximately HK\$9.2 million in the previous year to approximately HK\$9.9 million in the Year. The gross profit margin maintained at 0.6% for both years because of the low profit margin of supply chain management business. The Group will continue to control the material costs and explore new business so as to improve the gross profit of the Group.

Net loss attributable to equity holders of the Company for the Year amounted to approximately HK\$205.5 million (2015: HK\$59.2 million). The major component of the Group's expenses for the Year being impairment loss of intangible assets arising from the suspension of the development of big data platform, write down of inventories due to substantial decrease in current market price compared with cost of inventories, provision for long outstanding prepayment for timber being purchased but undelivered and the sponsorship fee on naming right over a football team and consultancy fee paid for introduction of customers and suppliers of supply chain management business. With an aggregated amounts of approximately HK\$134.2 million.

Liquidity, financial resources and capital structure

As at 31 March 2016, the Group had total assets of approximately HK\$344.8 million (2015: HK\$819.9 million), including net cash and bank balances of approximately HK\$7.4 million (2015: HK\$281.2 million).

For the Year, the Group financed its operations mainly with its own working capital and issue of placing shares. There were no general banking facilities as at 31 March 2016 (2015: Nil).

As at 31 March 2016, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2015: Zero). The Group had no bank borrowings as at 31 March 2016 (2015: Nil).

Placing of new shares

1. On 30 July 2015, a share placing agreement (the "Share Placing Agreement") was entered into between the Company and Sino Wealth Securities Limited (the "Placing Agent A"), pursuant to which the Company had appointed the Placing Agent A to procure altogether not less than six placees for subscribing up to an aggregate of 88,363,469 new shares (the "Placing Shares A") at HK\$0.172 per Placing Share (the "Share Placing A"). The Share Placing A was subject to the conditions set out in the Share Placing Agreement. On 28 August 2015, 88,363,469 Placing Shares A were allotted and issued by the Company pursuant to the Share Placing Agreement.

The net proceeds arising from the Share Placing A amounted to approximately HK\$14.85 million, net of expenses, which were used as general working capital of the Group.

For further details of the Share Placing A please refer to the Company's announcements dated 30 July 2015 and 28 August 2015 respectively.

2. On 8 September 2015, a placing agreement (the “Placing Agreement”) was entered into between the Company and Kingston Securities Limited (the “Placing Agent’ B”), pursuant to which the Company had appointed the Placing Agent B to procure altogether not less than six places for subscribing up to an aggregate of 265,000,000 new shares (the “Placing Shares B”) at HK\$0.15 per Placing Share (the “Share Placing B”). The Placing B was subject to the conditions set out in the Placing Agreement. On 25 September 2015, 265,000,000 Placing Shares B were allotted and issued by the Company pursuant to the Placing Agreement.

The net proceeds arising from the Share Placing B amounted to approximately HK\$38.59 million, net of expenses, which were used as general working capital and/or future investments of the Group, with an aim to diversify the business portfolios and/or income stream of the Group.

Please refer to the Company’s announcements dated 8 September 2015 and 25 September 2015 respectively for further details of the Share Placing B.

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in Hong Kong Dollar (“HKD”), United States Dollar (“USD”) and Renminbi (“RMB”). As such, the Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between HKD, USD and RMB. The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 March 2016, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Charge on Group assets

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

Segment information

An analysis of the Group’s performance for the Year by a mixture of business lines and geographical locations is set out in note 4 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

Noting that the supply chain management business is not having a stable growth during the Year, the Company will pay close attention to its performance and future development. At the same time, the management will continuously monitor and review the overall operation and financial performance of the Group's businesses so as to cope with the ever-changing business environment. The management will keep proactively seeking for other investment and business opportunities with promising prospect to broaden the source of income of the Group and enhance value to the shareholders of the Company.

Significant investments

The Group did not have any significant investment during the Year.

Material acquisitions or disposals of subsidiaries and affiliated companies

At 27 July 2015, the Group disposed of its 100% equity interests in Boomtech.

Other than the above, the Group did not have any material acquisitions or disposals of subsidiaries during the Year.

Share Option Scheme

The Company adopted a share option scheme on 18 October 2011 (the "Share Option Scheme") for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit additional employees and retain existing employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

Eligible participants of the Share Option Scheme include the employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

Future plans for material investments and expected source of funding

Other than disclosed elsewhere in the annual report, the Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2016. However, the Group is constantly looking for opportunities for investments or capital assets to enhance the shareholders' value.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2016.

Employees and remuneration policies

As at 31 March 2016, the Group had 43 (2015: 86) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK\$12.4 million for the Year (2015: HK\$12.3 million). Remuneration is determined by reference to market terms and the performance, qualifications and experience of the individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

EXECUTIVE DIRECTORS

Mr. Chen Jiang, aged 47, is an executive Director and the chairman of the Board, compliance officer and an authorised representative of the Company. He was graduated from the Southwest University of Science and Technology with a bachelor degree in Economic Information and Computer Application. Mr. Chen has extensive experience in finance lease and credit assessment industries, and general trading in the People's Republic of China ("PRC"). Mr. Chen is currently the executive chairman of Chengdu Enterprises' Credit Assessment and Integrity Evaluation Association and the general manager of Yongxin Finance Lease Co., Ltd.

Ms. Huang He, aged 35, is an executive Director. She has extensive experience in capital management and trading in the PRC, including wholesale, retail and on-line trading business. She is currently the legal representative and chairman of several companies that incorporated in the PRC.

Mr. Wu Zhinan, aged 40, is an executive Director and the chief executive officer of the Company. Mr. Wu holds a bachelor's degree of Industrial Automatic from the Information Science and Engineering Faculty of Jilin University (formerly known as Jilin University of Technology of China). Mr. Wu is the holder of a Certificate for the Qualifications of Lightning Prevention Design and Construction issued by the Beijing Meteorology Bureau. With 11 years of experience in the sales of electromagnetic security products, Mr. Wu was the Deputy General Manager of Beijing Allday Science and Technology Co., Ltd. (北京歐地安科技有限公司), responsible for the sales of electromagnetic security products to telecommunications companies, power companies and the PRC government. Mr. Wu was also the Chief Marketing Officer of Beijing Comtest Co., Ltd. (北京通測科技有限責任公司), responsible for the sales of communication testing gauges to telecommunication operators across the country. Mr. Wu is currently the director of PalmPay Technology Co. Limited (北京互聯視通科技有限公司), a subsidiary of the Company, and is responsible for the coordination of the business planning and operation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chui Man Lung, Everett, aged 53, is an independent non-executive director ("INED") and the chairman of the audit committee, remuneration committee and nomination committee of the Company with effect from 20 May 2015. Mr. Chui obtained a bachelor's degree of Social Sciences in Business Economics and Accounting from the University of Southampton in July 1986. He has over 20 years of professional experience in the finance and accounting fields and has been a fellow member of the Hong Kong Institute of Certified Public Accountants since January 1991. He was admitted as an associate of the Chartered Association of Certified Accountants in England in January 1991 and has become a fellow member since February 1996. Mr. Chui has also been an associate of the Institute of Chartered Accountants in England and Wales since January 2008.

BIOGRAPHIES OF DIRECTORS AND COMPANY SECRETARY

Mr. Chui had worked at KPMG Peat Marwick responsible for audit work from 1988 before he joined Yau Lee Holding Limited (stock code: 0406), a company listed on the main board of the Stock Exchange (“the Main Board”), as the financial controller in February 1995. Mr. Chui was a director and a member of the audit committee of Duoyuan Printing, Inc., a then New York Stock Exchange listed company since November 2010 to March 2013 and, an INED and chairman of audit committee of Mingyuan Medicare Development Company Limited (stock code: 0233) from September 2015 to May 2016. Currently, Mr. Chui is an INED, the chairman of the audit committee and the nomination committee and a member of the remuneration committee of Taung Gold International Limited (stock code: 0621) and an INED, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of New Sports Group Limited (stock code: 0299). Both companies are listed on the Main Board.

Mr. Liu Weiliang, aged 54, is an INED and a member of each of the audit committee, the remuneration committee, the nomination committee of the Company. Mr. Liu obtained a bachelor of arts from the Guangdong Education College (廣東教育學院) in 1981 and a master of computer science from the Harbin Institution of Technology (哈爾濱工業大學) in 1997. Mr. Liu worked as the general manager and director of Shenzhen Chuanguan Intellectual Network Technology Company Limited (深圳市創冠智能網絡技術有限公司) from 1997 to 2005 and the chairman of the board of Shenzhen Biaosheng Technology Investment Company Limited (深圳市標盛科技投資有限公司). Mr. Liu has also been the chairman of the board of Shenzhen Zhiying Technology Industry Investment Company Limited (深圳市致盈科技產業投資有限公司) since 2006 and the vice-chairman of the board of Shenzhen Qiaorong Investment Company Limited (深圳市僑融投資控股股份有限公司).

Ms. Li Mei, aged 36, is an INED and a member of each of the audit committee, the remuneration committee, the nomination committee of the Company. Ms. Li holds a degree of Master of Business Administration in Financial Management from York University, United States of America. She has extensive experience in financial services business. Ms. Li is a licensed person under the Securities and Futures Ordinance to carry on type 1 (dealing in securities) regulated activity. Ms. Li was an executive director of Hong Kong Life Sciences and Technologies Group Limited (stock code: 08085), whose share are listed on GEM, until July 2013.

COMPANY SECRETARY

Mr. Fung Nam Shan, aged 39, was appointed as the company secretary and an authorised representative of the Company on 20 May 2015. He is responsible for financial management and reporting, and overseeing the compliance with certain listing rules and regulations for the Company. Mr. Fung holds a bachelor’s degree in accounting awarded by the University of Newcastle, Australia. Mr. Fung is a member of the Hong Kong Institute of Certified Public Accountants and a CPA member of the Australian Institute of Certified Public Accountants. Mr. Fung is currently an INED of Energy International Investments Holdings Limited (listed on the Main Board (stock code: 0353)), the company secretary and authorised representative of Seamless Green China (Holding) Limited (listed on the GEM (stock code: 8150)), the joint company secretary of Future Bright Mining Holdings Limited (listed on the Main Board (stock code: 2212)), company secretary of Fittec International Group Limited (listed on the Main Board (stock code: 2662)), and the company secretary and authorised representative of Yat Sing Holdings Limited (listed on the Main Board (stock code: 3708)). Mr. Fung served Zhejiang Chang’an Renheng Technology Co., Ltd. (currently listed on the GEM of the Stock Exchange (stock code: 8139)) as financial controller and company secretary from April 2013 to March 2015. Mr. Fung was employed as financial controller and company secretary of South China Land Limited, currently known as South China Assets Holdings Limited, (listed on the GEM of the Stock Exchange (stock code: 8155)) from February 2010 to April 2013. He has worked for PricewaterhouseCoopers as an audit manager for several years which brought him strong experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been each of the member of the executive committee and marketing committee of The Hong Kong Youth Hostels.

The Directors of the Company hereby present the annual report and the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 35 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by reporting segments and geographical areas of operations for the Year is set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the Year are set out in the consolidated statement of comprehensive income in this annual report on page 36.

The board of Directors (the "Board") did not recommend the payment of any dividend during the Year.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 5 to 6 and pages 7 to 10 respectively. Details of the Company's share option scheme are provided on page 10 of the "Management Discussion and Analysis". An analysis of the Group's financial risk management is provided in note 30 to the consolidated financial statements. An indication of likely future development in the Company's business is set out on page 10 of the "Management Discussion and Analysis". No important event affecting the Group has occurred since the end of the Year.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published result of the Group for each of the last five financial years and of the assets, liabilities and non-controlling interests of the Group as at 31 March 2016, 2015, 2014, 2013 and 2012.

Consolidated results

<i>(In HK\$'000)</i>	Year ended 31 March				
	2016	2015	2014	2013	2012
Revenue	1,665,772	1,642,127	14,855	58,520	28,516
Loss before taxation	(204,244)	(61,275)	(79,662)	(58,808)	(71,866)
Income tax (expenses)/credit	(1,622)	–	(14)	(7,865)	229
Loss for the year	(205,866)	(61,275)	(79,676)	(66,673)	(71,637)
Attributable to:					
Equity holders of the Company	(205,532)	(59,185)	(76,292)	(77,654)	(68,192)
Non-controlling interests	(334)	(2,090)	(3,384)	10,981	(3,445)
	(205,866)	(61,275)	(79,676)	(66,673)	(71,637)

REPORT OF THE DIRECTORS

Consolidated assets and liabilities and non-controlling interests

<i>(In HK\$'000)</i>	As at 31 March				
	2016	2015	2014	2013	2012
Total assets	344,763	819,881	181,908	177,909	152,128
Total liabilities	(17,002)	(341,791)	(28,720)	(30,063)	(29,698)
Non-controlling interests	–	2,251	(1,176)	(4,272)	(13,365)
	327,761	480,341	152,012	143,574	109,065

Environmental Policies and Performance

The Group is committed to achieving environmental sustainability. The Group's commitment to protect the environment is well reflected by the continuous efforts in promoting green measures and awareness in our daily business operations. The Group's business is subject to national, provincial and local environmental laws and regulations of the PRC. During the Year, so far as the Directors are aware, there were no material breach of applicable environmental laws and regulations of the PRC that have a significant adverse impact on the business and operations of the Group.

The Group also encourages environmental protection and promote awareness towards environmental protection to the employees. The Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards enhancing environmental sustainability.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the suspension or termination of operating licences. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. For the Year, the Group has complied, to the best of the directors' knowledge, with all relevant rules and regulations that have a significant impact on the Company.

Key Relationships with Employees, Customers and Suppliers

Being people-oriented, the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of the Group would be submitted to the Board.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel.

Financial Risk

The Group's also faces financial risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of these financial risks are set out in note 30 to the consolidated financial statements.

SUBSIDIARIES

Details (including the principal activities) of the Company's subsidiaries as at 31 March 2016 are set out in note 35 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the Company's issued share capital are set out in note 23 to the consolidated financial statements.

Save as disclosed under the section headed "Share Option Scheme", no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group did not have any material acquisitions or disposals of subsidiaries and investments during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders of the Company (the "Shareholders").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Except for placing of new shares disclosed in the "Management Discussion and Analysis", the Company did not redeem any of its listed shares (the "Shares"), nor did the Company or any of its subsidiaries purchase or sell any such Shares during the Year.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on pages 39 to 40 of the annual report and in note 34(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2016, no reserves of the Company were available for cash distribution and/or distribution in specie (2015: HK\$16,460,000), as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account had a balance of approximately HK\$487,389,000 as at 31 March 2016 (2015: HK\$437,446,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, revenue attributable to the Group's five largest customers accounted for 70% (2015: 88%) of the total revenue for the Year. Revenue attributable to the largest customer accounted for 24% (2015: 43%) of the total revenue for the Year.

During the Year, purchases from the Group's five largest suppliers accounted for 72% (2015: 98%) of the total purchases for the Year. Purchases from the Group's largest supplier or accounted for 34% (2015: 42%) of the total purchases for the Year.

As far as the Directors are aware, neither the Directors or any of their close associates nor any Shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers and suppliers during the Year.

DIRECTORS

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

Executive Directors:

Mr. Chen Jiang (<i>Chairman</i>)	<i>(appointed on 7 August 2015 and re-designated as Chairman on 4 May 2016)</i>
Mr. Johnny Huang	<i>(appointed on 7 August 2015 and resigned on 4 May 2016)</i>
Ms. Huang He	<i>(appointed on 7 August 2015)</i>
Mr. Wu Zhinan (<i>Chief Executive Officer</i>)	
Mr. Li Zhike	<i>(resigned on 7 August 2015)</i>
Mr. Yu Weiye	<i>(appointed on 19 June 2015 and resigned on 7 July 2015)</i>
Mr. Gong Dongsheng	<i>(resigned on 19 June 2015)</i>
Mr. Zhang Xiaozheng	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>

Non-executive Directors:

Mr. Lam Kwok Cheong	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>
Ms. Chen Nan	<i>(re-designated as non-executive director on 19 June 2015 and resigned on 7 August 2015)</i>

the INEDs:

Mr. Chui Man Lung, Everett	<i>(appointed on 20 May 2015)</i>
Mr. Liu Weiliang	
Ms. Li Mei	<i>(appointed on 7 August 2015)</i>
Mr. Lung Chee Ming, George	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>
Mr. Huang Yunlong	<i>(resigned on 17 June 2015)</i>
Mr. Ma Yiu Ho, Peter	<i>(resigned on 20 May 2015)</i>

In accordance with bye-laws 84(1) and (2) of the Bye-laws of the Company (the "Bye-laws"), Mr. Wu Zhinan and Mr. Liu Weiliang will retire from office by rotation at the forthcoming annual general meeting of the Company (the "AGM"). Pursuant to bye-law 83(2) of the Bye-laws, Mr. Chen Jiang, Ms. Huang He and Ms. Li Mei will retire from office at the AGM. All the above retiring Directors, being eligible, have offered themselves for re-election thereat.

The Company confirmed that it has received from each of its INEDs the annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considered them to be independent as at the date of this report.

DIRECTORS' AND COMPANY SECRETARY'S BIOGRAPHIES

The biographical details of the Directors and Company Secretary of the Group are set out on pages 11 and 12 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the INEDs has entered into a letter of appointment with the Company for a term of one year commencing from the date of appointment and will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

Save as aforesaid, none of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the Year between the Group and connected persons (as defined in the GEM Listing Rules) in which a Director has beneficial interest are set out in the section "Related and Connected Party Transactions" of this report and note 28 to the consolidated financial statements.

Save as disclosed above, no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries for the Year. There was also no contract of significance between the Company or one of the subsidiaries and the controlling shareholders or any of its subsidiaries.

RELATED AND CONNECTED PARTY TRANSACTIONS

Except otherwise disclosed in note 28 to the consolidated financial statements, the Group had no transactions incurred during the Year which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

MANAGEMENT CONTRACT

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.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with the highest emoluments for the Year are set out in notes 7 and 8 to the consolidated financial statements, respectively.

SHARE OPTIONS SCHEME

Details of the Company's share option scheme are set out in the Management Discussion and Analysis on pages 10.

No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption.

PERMITTED INDEMNITY

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

Pursuant to the Bye-laws, 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 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.

TAX RELIEF

The Company is not aware of any taxation relief available to the Shareholders by reason of their holding of the Shares.

CHANGES IN DIRECTOR'S INFORMATION

The changes in Directors' information since the disclosure made in the 2015 - 2016 Interim report are set out below:

Name of Director	Details of changes
Mr. Johnny Huang	– Resigned as an Executive Director, chairman of the Board, compliance officer and authorised representative on 4 May 2016
Mr. Chen Jiang	– Appointed as the compliance officer and the chairman of the Board, and an authorised representative of the Company on 4 May 2016

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO") which were required: (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under paragraphs headed "Directors, Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, so far as is known to any Directors, none of any persons had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 March 2016, no other person is individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is a sufficient public float of the issued Shares (i.e. at least 25% the issued Shares being held by the public) as required under the GEM Listing Rules throughout the Year and thereafter up to the date of this report.

DONATIONS

No charitable and other donations were made by the Group during the Year (2015: HK\$30,000).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, none of the Directors or the management shareholders or substantial shareholders or their respective close 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.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on page 22 to page 33 of this annual report.

AUDIT COMMITTEE

The Company set up an audit committee (the "Audit Committee") on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. As from 7 August 2015, the Audit Committee comprised the three INEDs, namely Mr. Chui Man Lung, Everett as the chairman of the Audit Committee, Mr. Liu Weiliang and Ms. Li Mei. During the Year, the Audit Committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the Board.

The financial statements of the Group for the Year have been reviewed by the Audit Committee, which is of the opinion that such statements comply with the applicable accounting standards, as well as the Stock Exchange's and legal requirements, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

- (i) On 23 May 2016, Glory Wheel Trading Limited (“Glory Wheel”), a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (“MOU”) with an independent third party in relation to the acquisition of 100% equity interest in Cheer Smart Incorporation Limited (“Cheer Smart”), a company incorporated in Hong Kong, for a total cash consideration of approximately HK\$24,000,000.

Cheer Smart is principally engaged in investment holding and has 50% interest in a joint arrangement that is structured as limited company established in the PRC, Shenzhen Oriental Electronic Commerce Supply Chain Management Company Limited (“Shenzhen Oriental”), which intends to engage in the supply chain management and operation of e-commerce in the PRC.

Shenzhen Oriental is in the process of a corporate reorganisation. Upon completion of the reorganisation, Cheer Smart will hold 60% equity interest in Shenzhen Oriental, which will then become a subsidiary of Cheer Smart.

On 30 May 2016, a supplemental MOU was signed and a refundable deposit of HK\$5,000,000 was paid up to the date of this report. A legally binding formal agreement in relation to the acquisition is yet to be finalised as at the date of this report and therefore, it is not practicable to reliably estimate the financial effect for the acquisition.

- (ii) On 3 June 2016, Glory Wheel entered into a sale and purchase agreement with two vendors (the “Vendors”), both are independent third parties, in relation to the acquisition of 100% equity interest in Global United Investment Consultants Limited (“Global United”), a company incorporated in Hong Kong, for a total cash consideration of HK\$500,000.

Global United is principally engaged in money lending and holds a money lenders licence granted under the Money Lenders Ordinance (Cap. 163) of the Laws of Hong Kong.

On 3 June 2016, a cash consideration of HK\$500,000 was paid to the Vendors and the transaction was completed on 6 June 2016. As the initial accounting of the acquisition of Global United is incomplete, it is not practicable to reliably estimate the financial effect of the acquisition.

Save as above, change of directors disclosed under the section of “Corporation Information” on page 3 and note 33 to the consolidated financial statements, the Group had no material event subsequent to the end of reporting period and up to the date of this report.

AUDITOR

The consolidated financial statements for the Year have been audited by Mazars CPA Limited, Certified Public Accountants, who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having been approved by the Board upon the Audit Committee’s recommendation, a resolution to re-appoint Mazars CPA Limited as the auditor and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Chen Jiang

Executive Director and Chairman

Hong Kong, 27 June 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules throughout the Year. The Company has applied the principles in the CG Code and complied with the code provisions set out in the CG Code for the Year, save and except for the following:

1. Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Directors (including executive Directors and INED) are not appointed for a specific term but they are all subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.
2. Code provision A.6.7 of the CG Code provides that INED and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Mr. Wu Zhinan and Mr. Liu Weiliang were not able to attend the AGM held on 6 August 2015 (the “2015 AGM”) due to other business engagement. Other Board members who attended the 2015 AGM were already of sufficient calibre and number for answering questions raised by the Shareholders at the 2015 AGM.
3. Code provision of E.1.2 of the CG Code stipulates that the Chairman of the Board should attend to answer questions at the AGM. However, the Chairman of the Board was vacant at the 2015 AGM after Mr. Yu Weiye resigned the chairman on 7 July 2015. Mr. Li Zhike acted as chairman of the 2015 AGM to ensure an effective communication with the Shareholders.

CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made a specific enquiry with all the Directors, each of them confirmed that he/she had complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the Year.

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board is responsible for the Group’s corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly financial statements for the Board’s approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

During the Year and up to date of this report, the Board comprised the following Directors:

Executive Directors:

Mr. Chen Jiang (<i>Chairman</i>)	<i>(appointed on 7 August 2015 and re-designated as Chairman on 4 May 2016)</i>
Mr. Johnny Huang	<i>(appointed on 7 August 2015 and resigned on 4 May 2016)</i>
Mr. Wu Zhinan (<i>Chief Executive Officer</i>)	
Ms. Huang He	<i>(appointed on 7 August 2015)</i>
Mr. Li Zhike	<i>(resigned on 7 August 2015)</i>
Mr. Zhang Xiaozheng	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>
Mr. Yu Weiye	<i>(appointed on 19 June 2015 and resigned on 7 July 2015)</i>
Mr. Gong Dongsheng	<i>(resigned on 19 June 2015)</i>

Non-executive Directors:

Mr. Lam Kwok Cheong	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>
Ms. Chen Nan	<i>(re-designated as a non-executive Director on 19 June 2015 and resigned on 7 August 2015)</i>

the INEDs:

Mr. Chui Man Lung, Everett	<i>(appointed on 20 May 2015)</i>
Mr. Liu Weiliang	
Ms. Li Mei	<i>(appointed on 7 August 2015)</i>
Mr. Lung Chee Ming, George	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>
Mr. Huang Yunlong	<i>(resigned on 17 June 2015)</i>
Mr. Ma Yiu Ho, Peter	<i>(resigned on 20 May 2015)</i>

The Directors' biographical information is set out on pages 11 to 12 of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. Mr. Gong Dongsheng, an ex-executive Director and the ex-chairman of the Board, is the husband of Ms. Chen Nan, an ex-non-executive Director of the Company. Save as disclosed above, there is no financial, business, family or other material relationship among the members of the Board.

The Company appointed three INEDs who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of Shareholders. Each of them has been appointed for a term of one year commencing on the date of appointment, which will continue thereafter until terminated by either party giving the other not less than one month's notice. Every Director should be subject to retirement by rotation at least once every three years and is eligible for re-election in accordance with the Bye-laws.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 5.09 of the GEM Listing Rules, the Company has received written confirmation from each INED of his/her independence. Based on such confirmations of independence, the Company considers all of the INEDs to be independent.

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required.

During the Year, 17 Board meetings and an AGM were held.

Details of the attendance of the meetings of the Board members during the Year are as follows:

Name of Directors		Board meetings Attended/ Eligible to attend	General meetings Attended/ Eligible to attend
Executive Directors:			
Mr. Chen Jiang (<i>Chairman</i>)	<i>(appointed on 7 August 2015 and re-designated as Chairman on 4 May 2016)</i>	5/17	0/1
Mr. Johnny Huang	<i>(appointed on 7 August 2015 and resigned on 4 May 2016)</i>	7/17	0/1
Mr. Wu Zhinan (<i>Chief Executive Officer</i>)		6/17	0/1
Ms. Huang He	<i>(appointed on 7 August 2015)</i>	6/17	0/1
Mr. Li Zhike	<i>(resigned on 7 August 2015)</i>	5/17	1/1
Mr. Yu Weiye	<i>(appointed on 19 June 2015 and resigned on 7 July 2015)</i>	3/17	0/1
Mr. Gong Dongsheng	<i>(resigned on 19 June 2015)</i>	1/17	0/1
Non-executive Directors:			
Mr. Lam Kwok Cheong	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>	4/17	0/1
Ms. Chen Nan	<i>(re-designated as a non-executive Director on 19 June 2015 and resigned on 7 August 2015)</i>	4/17	0/1

Name of Directors		Board meetings Attended/ Eligible to attend	General meetings Attended/ Eligible to attend
INEDs:			
Mr. Chui Man Lung, Everett	<i>(appointed on 20 May 2015)</i>	14/17	1/1
Mr. Liu Weiliang		9/17	0/1
Ms. Li Mei	<i>(appointed on 7 August 2015)</i>	1/17	0/1
Mr. Lung Chee Ming, George	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>	2/17	0/1
Mr. Huang Yunlong	<i>(resigned on 17 June 2015)</i>	0/17	0/1
Mr. Ma Yiu Ho, Peter	<i>(resigned on 20 May 2015)</i>	0/17	0/1

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training courses or reading related materials/in house briefing on the topics related to corporate governance and regulations as follows:

Name of Directors		Reading materials/In house briefing	Attending training courses
Executive Directors:			
Mr. Chen Jiang (<i>Chairman</i>)	<i>(appointed on 7 August 2015 and re- designated as Chairman on 4 May 2016)</i>	✓	✓
Mr. Johnny Huang	<i>(appointed on 7 August 2015 and resigned on 4 May 2016)</i>	✓	✓
Mr. Wu Zhinan (<i>Chief Executive Officer</i>)		✓	✓
Ms. Huang He	<i>(appointed on 7 August 2015)</i>	✓	✓
Mr. Li Zhike	<i>(resigned on 7 August 2015)</i>	*	*
Mr. Yu Weiye	<i>(appointed on 19 June 2015 and resigned on 7 July 2015)</i>	*	*
Mr. Zhang Xiaozheng	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>	*	*
Mr. Gong Dongsheng	<i>(resigned on 19 June 2015)</i>	*	*

CORPORATE GOVERNANCE REPORT

Name of Directors		Reading materials/In house briefing	Attending training courses
Non-executive Directors:			
Mr. Lam Kwok Cheong	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>	*	*
Ms. Chen Nan	<i>(re-designated as a non-executive director on 19 June 2015 and resigned on 7 August 2015)</i>	*	*
INEDs:			
Mr. Chui Man Lung, Everett	<i>(appointed on 20 May 2015)</i>	✓	✓
Mr. Liu Weiliang		✓	✓
Ms. Li Mei	<i>(appointed on 7 August 2015)</i>	✓	✓
Mr. Lung Chee Ming, George	<i>(appointed on 17 June 2015 and resigned on 28 July 2015)</i>	*	*
Mr. Huang Yunlong	<i>(resigned on 17 June 2015)</i>	*	*
Mr. Ma Yiu Ho, Peter	<i>(resigned on 20 May 2015)</i>	*	*
* <i>Not applicable</i>			

BOARD DIVERSITY POLICY

The Board values diversity as a factor in selecting candidates to serve on the Board, and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company.

The Board adopted a board diversity policy (the “Board Diversity Policy”) which relates to the selection of candidates for the Board. The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team. The Board Diversity Policy was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board.

The Nomination Committee has been delegated with the responsibilities for the review of the Board Diversity Policy on an annual basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chen Jiang, being the chairman of the Board and an executive Director, is responsible for providing advice for the overall management and strategic development and overseeing the operation of the Board.

Another executive Director Mr. Wu Zhinan, being the Chief Executive Officer, is responsible for the Group’s overall management, corporate development, strategic planning and the supervision of day-to-day operation.

The segregation of duties and responsibilities between the chairman and the chief executive officer ensures a balance of power and authority.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties as set out below:

- a) to develop and review the Company’s policies and practices on corporate governance;
- b) to review and monitor the training and continuous professional development of the Directors and senior management;
- c) to review and monitor the Company’s policies and practices and compliance with legal and regulatory requirements;
- d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and the Directors; and
- e) to review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each of the Board committees named above are in line with the GEM Listing Rules and are posted on the respective websites of the Stock Exchange and the Company.

REMUNERATION COMMITTEE

The Remuneration Committee was established in January 2006 with written terms of reference in compliance with the CG Code. The Remuneration Committee presently comprises three members, all being INEDs, namely Mr. Chui Man Lung, Everett, serving as the chairman, Mr. Liu Weiliang and Ms. Li Mei.

The role and function of the Remuneration Committee are to make recommendations to the Board for its final determination on the specific remuneration packages of all Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee held 2 meetings during the Year to review the remuneration package of the Directors and senior management. Details of the attendance of the Remuneration Committee meetings are as follows:

Members		Number of meetings attended/Eligible to attend
Mr. Chui Man Lung, Everett (<i>chairman</i>)	(<i>appointed on 20 May 2015 and re-designated as chairman on 28 July 2015</i>)	2/2
Mr. Liu Weiliang	(<i>resigned as chairman on 17 June 2015</i>)	2/2
Ms. Li Mei	(<i>appointed on 7 August 2015</i>)	0/2
Mr. Lung Chee Ming, George	(<i>appointed on 17 June 2015 and resigned on 28 July 2015</i>)	1/2
Mr. Huang Yunlong	(<i>resigned on 17 June 2015</i>)	0/2
Mr. Ma Yiu Ho, Peter	(<i>resigned on 20 May 2015</i>)	0/2

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments of the Directors and the senior management of the Company for the Year are set out in notes 7 and 28 to the consolidated financial statements.

Pursuant to code provision of B.1.5 of the CG Code, the annual remuneration of the senior management (other than the Directors) for the Year by band is set out below:

Remuneration bands (in HK\$)	Number of individuals
Nil to 1,000,000	3

NOMINATION COMMITTEE

The Company established a Nomination Committee on 23 March 2012 with written terms of reference in compliance with the CG Code. The Nomination Committee presently comprises three members, all being INED, namely Mr. Chui Man Lung, Everett, serving as the chairman, and Mr. Liu Weiliang and Ms. Li Mei.

The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of the Directors and succession planning for the Directors. The Board takes into consideration criteria such as the expertise and experience of the relevant candidates, the market situation and applicable laws and regulations when considering new director appointments.

The Nomination Committee held 2 meetings during the Year to review the structure and composition of the Board as well as the Board Diversity Policy and made recommendations on the appointment and re-appointment of retiring Directors. Details of the attendance of the Nomination Committee meetings are as follows:

Members	Number of meetings attended/Eligible to attend
Mr. Chui Man Lung, Everett (<i>chairman</i>)	0/2
Mr. Liu Weiliang	2/2
Ms. Li Mei	0/2
Mr. Lam Kwok Cheong	1/2
Mr. Lung Chee Ming, George	1/2
Mr. Huang Yunlong	0/2
Mr. Gong Dongsheng	1/2

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and financial statements, interim reports and quarterly reports to the Directors. The Audit Committee presently comprises three members being INEDs, namely Mr. Chui Man Lung, Everett, serving as the chairman, Mr. Liu Weiliang and Ms. Li Mei.

The Audit Committee held 4 meetings during the Year. Details of the attendance of the Audit Committee meetings are as follows:

Members	Number of meetings attended/Eligible to attend
Mr. Chui Man Lung, Everett (<i>chairman</i>) (<i>appointed on 20 May 2015</i>)	4/4
Mr. Liu Weiliang	3/4
Ms. Li Mei (<i>appointed on 7 August 2015</i>)	1/4
Mr. Lung Chee Ming, George (<i>appointed on 17 June 2015 and resigned on 28 July 2015</i>)	1/4
Mr. Huang Yunlong (<i>resigned on 17 June 2015</i>)	0/4
Mr. Ma Yiu Ho, Peter (<i>resigned on 20 May 2015</i>)	0/4

During the Year, the Audit Committee reviewed the first and third quarterly results and interim results for the Year, the annual results of the Group for the Year and the accounting principles and practice adopted by the Group and recommended to the Board for considering the re-appointment of Mazars CPA Limited ("Mazars"), Certified Public Accountants, as the Company's auditor at the 2015 AGM.

The annual results for the Year have been reviewed by the Audit Committee at its meeting held on 24 June 2016 before submission to the Board for approval. The members of the Audit Committee considered that the results were prepared in accordance with applicable accounting standards and the GEM Listing Rules and sufficient disclosure had been made.

AUDITOR'S REMUNERATION

It is the external auditor's responsibility to form an independent opinion, based on their audit, on the consolidated financial statements and to report their opinion solely to the Shareholders, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the content of the auditor's report.

The Company has appointed Mazars as the auditor of the Group. The Board was authorised by the Shareholders at the 2015 AGM to determine the remuneration of Mazars. During the Year, the fees charged by Mazars for the statutory audit and non-audit assignments of the Group amounted to approximately HK\$900,000 and HK\$105,000 respectively.

COMPANY SECRETARY

The present company secretary of the Company (the "Company Secretary") is an external service provider, and his primary corporate contact person is Mr. Chen Jiang, as executive Director and the chairman of the Board for the purpose of code provision F.1.1 of the CG Code. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

Mr. Fung Nam Shan was appointed as the Company Secretary on 20 May 2015. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the GEM Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung has provided his training records to the Company indicating his compliance with the 15-hour training requirement under Rule 5.15 of the GEM Listing Rules.

INTERNAL CONTROL

The Board is responsible for maintaining the Group's internal controls and for reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular needs of the Group and the risk to which it is exposed.

In consideration of the size of the Group, the Board does not consider to establish an internal audit team at present. However, the key control procedures established by the Group are day-to-day supervision of the business by the executive Directors, supported by the managers responsible for the operation and the key division support functions of finance, information system and human resources. The key elements of internal controls described below have been in place throughout the Year:

- procedures for the approval of capital expenditure and payments;
- regular financial information provided to management for reviewing the Group's performance;
- clearly defined management structure and lines of responsibility.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Under the Bye-laws, 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 shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. Within 21 days of such deposit, the Board should proceed to convene such meeting.

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

The Company Secretary
Sky Forever Supply Chain Management Group Limited
Address: Suite 2002, 2/F., United Centre, 95 Queensway, Hong Kong
Fax No.: 852-3956 4885

To put forward proposals at an AGM or a SGM, the Shareholders shall submit a written notice of those proposals with detailed contact information to the Company Secretary at the above address.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

PROCEDURE FOR SHAREHOLDERS TO SEND ENQUIRES TO THE BOARD

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in this report, the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of Shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by Shareholders.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group for the Year. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the Year, there were no changes in the Company's Memorandum of Association and the Bye-laws except the change of Company's name. A copy of the latest version of the Memorandum of Association and the Bye-laws are available on the respective websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT



MAZARS CPA LIMITED

瑪澤會計師事務所有限公司
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18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.cn

To the shareholders of
Sky Forever Supply Chain Management Group Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sky Forever Supply Chain Management Group Limited (the "Company") and its subsidiaries set out on pages 36 to 94, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 27 June 2016

Eunice Y M Kwok

Practising Certificate number: P04604

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Continuing operations			
Revenue	5	1,665,011	1,632,858
Cost of services rendered and cost of goods sold		(1,655,152)	(1,623,635)
Gross profit		9,859	9,223
Other revenue	5	510	550
Other income		21	328
Selling and distribution costs		(10,771)	(4,151)
Administrative expenses		(58,490)	(60,206)
Other operating expenses		(132,398)	(4,070)
Share of results of associates	15	(8,811)	(1,523)
Loss before taxation from continuing operations	6	(200,080)	(59,849)
Income tax expenses	9	(1,622)	–
Loss for the year from continuing operations		(201,702)	(59,849)
Discontinued operations			
Loss for the year from discontinued operations	10	(4,164)	(1,426)
Loss for the year		(205,866)	(61,275)
Other comprehensive (loss) income for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on consolidation		(11)	165
Share of other comprehensive loss of associates	15	(293)	(312)
		(304)	(147)
Total comprehensive loss for the year		(206,170)	(61,422)
Loss attributable to:			
Equity holders of the Company	12	(205,532)	(59,185)
Non-controlling interests		(334)	(2,090)
		(205,866)	(61,275)
Total comprehensive loss attributable to:			
Equity holders of the Company		(205,785)	(59,212)
Non-controlling interests		(385)	(2,210)
		(206,170)	(61,422)
Loss per share			
From continuing and discontinued operations	12		
Basic		(HK13.57 cents)	(HK10.15 cents)
Diluted		(HK13.57 cents)	(HK10.15 cents)
From continuing operations			
Basic		(HK13.32 cents)	(HK10.26 cents)
Diluted		(HK13.32 cents)	(HK10.26 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	13	5,559	13,747
Intangible assets	14	109	10,877
Interests in associates	15	–	9,104
Other assets	16	6,790	8,675
Goodwill	17	–	5,573
		12,458	47,976
Current assets			
Other assets	16	906	1,025
Inventories	18	10,018	–
Trade and other receivables	19	313,937	489,634
Bank balances and cash	20	7,444	281,246
		332,305	771,905
Current liabilities			
Trade and other payables	21	15,380	337,394
Tax payable		1,622	1,928
		17,002	339,322
Net current assets		315,303	432,583
Total assets less current liabilities		327,761	480,559
Non-current liabilities			
Loan from a director	22	–	2,469
		–	2,469
NET ASSETS		327,761	478,090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	23	16,787	13,254
Reserves		310,974	467,087
Equity attributable to equity holders of the Company		327,761	480,341
Non-controlling interests		–	(2,251)
TOTAL EQUITY		327,761	478,090

Approved and authorised for issue by the Board of Directors on 27 June 2016 and signed on its behalf by

Chen Jiang
Director

Huang He
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

		Attributable to equity holders of the Company									
		Reserves								Non-	
(In HK\$'000)	Note	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve	Accumulated losses	Total reserves	Subtotal	controlling interests	Total
		(Note 34(a)(i))	(Note 34(a)(ii))	(Note i)	(Note ii)						
At 1 April 2014		4,418	58,605	594,707	9,290	2,512	(517,520)	147,594	152,012	1,176	153,188
Loss for the year		-	-	-	-	-	(59,185)	(59,185)	(59,185)	(2,090)	(61,275)
Other comprehensive income (loss)											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Exchange differences on consolidation		-	-	-	285	-	-	285	285	(120)	165
Share of other comprehensive loss of associates		-	-	-	(312)	-	-	(312)	(312)	-	(312)
Total comprehensive loss for the year		-	-	-	(27)	-	(59,185)	(59,212)	(59,212)	(2,210)	(61,422)
Transactions with equity holders											
<i>Contributions and distributions</i>											
Issue of shares upon rights issues		8,836	378,841	-	-	-	-	378,841	387,677	-	387,677
Total transactions with equity holders		8,836	378,841	-	-	-	-	378,841	387,677	-	387,677
Disposal of subsidiaries	29(ii)	-	-	-	(136)	-	-	(136)	(136)	(1,217)	(1,353)
At 31 March 2015		13,254	437,446	594,707	9,127	2,512	(576,705)	467,087	480,341	(2,251)	478,090

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

(In HK\$'000)	Note	Attributable to equity holders of the Company									
		Reserves							Non-controlling interests	Total	
		Share capital	Share premium (Note 34(a)(i))	Contributed surplus (Note 34(a)(ii))	Exchange reserve (Note i)	Statutory reserve (Note ii)	Accumulated losses	Total reserves			Subtotal
At 1 April 2015		13,254	437,446	594,707	9,127	2,512	(576,705)	467,087	480,341	(2,251)	478,090
Loss for the year		-	-	-	-	-	(205,532)	(205,532)	(205,532)	(334)	(205,866)
Other comprehensive income (loss)											
<i>Items that may be reclassified subsequently to profit or loss</i>											
Exchange differences on consolidation		-	-	-	40	-	-	40	40	(51)	(11)
Share of other comprehensive loss of associates		-	-	-	(293)	-	-	(293)	(293)	-	(293)
Total comprehensive loss for the year		-	-	-	(253)	-	(205,532)	(205,785)	(205,785)	(385)	(206,170)
Transactions with equity holders											
<i>Contributions and distributions</i>											
Issue of shares upon placing in August 2015	23(i)	883	13,978	-	-	-	-	13,978	14,861	-	14,861
Issue of shares upon placing in September 2015	23(ii)	2,650	35,965	-	-	-	-	35,965	38,615	-	38,615
Total transactions with equity holders		3,533	49,943	-	-	-	-	49,943	53,476	-	53,476
Disposal of subsidiaries	29(i)	-	-	-	(180)	(91)	-	(271)	(271)	2,636	2,365
At 31 March 2016		16,787	487,389	594,707	8,694	2,421	(782,237)	310,974	327,761	-	327,761

Note:

- (i) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (ii) The laws and regulations of the People's Republic of China (the "PRC") require wholly foreign-owned enterprises in the PRC ("WFOE") to provide for certain statutory reserves, namely general reserve, enterprise expansion fund and staff welfare and bonus fund which are appropriated from the net profit as reported in the PRC statutory accounts.

The Group's subsidiaries in the PRC, which are WFOE, are required to allocate at least 10% of their after-tax profit to the general reserve until the reserve has reached 50% of its registered capital. The general reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff welfare and bonus fund can only be used for the welfare of the employees of the subsidiaries in the PRC. Appropriation to the enterprise expansion fund and staff welfare and bonus fund is at the discretion of the board of directors of the subsidiaries in the PRC.

The subsidiaries in the PRC incurred after-tax losses and therefore no transfer to the statutory reserve was made for the years ended 31 March 2016 and 2015.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Loss before taxation			
From continuing operations		(200,080)	(59,849)
From discontinued operations		(4,164)	(1,426)
Amortisation of intangible assets		13	4
Amortisation of other assets		1,024	545
Bad debts written off		984	–
Depreciation of property, plant and equipment		4,268	2,895
Impairment loss of goodwill		–	4,000
Impairment loss of intangible assets		14,775	–
Impairment loss of property, plant and equipment		3,934	–
Interest income		(510)	(553)
Loss (Gain) on disposal of subsidiaries		3,451	(806)
Loss on disposal of available-for-sale financial assets		–	70
Loss on disposal of property, plant and equipment and other assets		1,751	–
Provision for prepayment		24,999	–
Waiver of amount due to an ex-shareholder of subsidiaries		–	(1,379)
Write-down of inventories		64,651	–
Write-off of prepayment		2,508	–
Write-off of property, plant and equipment		–	409
Share of results of associates		8,811	1,523
Changes in working capital			
Inventories		(10,018)	–
Trade and other receivables		70,470	(472,993)
Trade and other payables		(309,747)	322,886
Exchange difference		918	(63)
Cash used in operations and net cash used in operating activities		(321,962)	(204,737)
INVESTING ACTIVITIES			
Disposal of subsidiaries	29	(1,101)	2,891
Disposal of available-for-sale financial assets		–	14,944
Interest received		510	553
Payment for other assets		–	(10,245)
Proceeds from disposal of property, plant and equipment and other assets		4,030	–
Purchase of intangible assets		(3,886)	(10,881)
Purchase of property, plant and equipment		(4,893)	(16,072)
Refund for deposit paid for acquisition of subsidiaries		–	30,500
Net cash (used in) from investing activities		(5,340)	11,690

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
FINANCING ACTIVITIES			
Net proceeds from shares issued upon rights issue		–	387,677
Net proceeds from shares issued upon placing in August 2015	23(i)	14,861	–
Net proceeds from shares issued upon placing in September 2015	23(ii)	38,615	–
Net cash from financing activities		53,476	387,677
Net (decrease) increase in cash and cash equivalents		(273,826)	194,630
Cash and cash equivalents at beginning of reporting period		281,246	86,675
Effect on foreign exchange rate changes, net		24	(59)
Cash and cash equivalents at end of reporting period, represented by bank balances and cash	20	7,444	281,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

1. CORPORATE INFORMATION

Sky Forever Supply Chain Management Group Limited (the “Company”) is incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Bermuda Companies Act of 1981. The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Suite 2002, 2/F., United Centre, 95 Queensway, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are detailed in note 35 to the consolidated financial statements.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements except for the adoption of certain new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 3 to the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out in note 3 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

Annual Improvements Project: 2010-2012 Cycle

The amendments relevant to the Group include the followings:

(1) *HKFRS 2 Share-based Payment*

The amendments add definitions for “performance condition” and “service condition” which were previously part of the definition of “vesting condition” and update the definitions of “vesting condition” and “market condition”. These amendments do not have an impact on the consolidated financial statements.

(2) *HKFRS 3 Business Combinations*

These amendments delete the reference to “other applicable HKFRSs” in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss. These amendments do not have an impact on the consolidated financial statements.

(3) *HKFRS 8 Operating Segments*

HKFRS 8 is updated as follows:

- a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. These amendments do not have an impact on the consolidated financial statements.
- b) It is clarified that the reconciliation of the total reportable segments’ assets to the entity’s assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker. These amendments do not have an impact on the consolidated financial statements.

(4) *HKFRS 13 Fair Value Measurement*

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity’s ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. These amendments do not have significant impact on the consolidated financial statements.

(5) *HKAS 24 Related Party Disclosures*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the “management entity”) to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. These amendments do not have significant impact on the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised HKFRSs (Continued)

Annual Improvements Project – 2011-2013 Cycle

The amendments relevant to the Group include the followings:

(1) *HKFRS 3 Business Combinations*

HKFRS 3 is amended to exclude from its scope the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves. These amendments do not have an impact on the consolidated financial statements.

(2) *HKFRS 13 Fair Value Measurement*

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. These amendments do not have significant impact on the consolidated financial statements.

Impact of the amendments of the GEM Listing Rules

The Group has adopted the amendments to the GEM Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the financial reporting requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) during the current year. As a result, there are changes to the presentation and disclosures of certain information as compared with the 2015 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Allocation of total comprehensive income

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

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. 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 equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. 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 reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but no control or joint control of those policies.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Associates (Continued)

The Group's investment in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill on acquisitions of associates is included in interests in associates. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase. In respect of an associate, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately as income.

Discontinued operation

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It 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, if earlier. It also occurs when the operation is abandoned.

Intangible assets (other than goodwill)

Trademarks

The initial cost of acquiring trademarks is capitalised. Trademarks with indefinite useful lives are carried at cost less accumulated impairment losses. Trademarks with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 10 years.

Computer software

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over the estimated useful life.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately. The principal annual rates used are as follows:

Leasehold improvements	over the remaining lease terms
Furniture and fixtures	20%
Computer and office equipment	20%
Motor vehicles	25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

1) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2) *Financial liabilities*

All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of goods is recognised on transfer of risk and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Income in respect of lightning electromagnetic pulse protection business, energy management business and supply chain management business is recognised when services are rendered.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

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 the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

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

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period.
- Income and expenses for each statement of comprehensive income are translated at average exchange rate.
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.
- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.
- On partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified in profit or loss.
- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that property, plant and equipment, intangible assets, other assets and investment in associates may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as an income in profit or loss immediately.

For investments in associates recognised using the equity method, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme for the staff in Hong Kong are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pursuant to the laws and regulations of the PRC, contributions to the defined contribution retirement schemes for the Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the Black-Scholes-Merton model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the years in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions (Continued)

Equity-settled transactions (continued)

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

Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled before the vesting date, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

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

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Segment reporting

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

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

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(a) Critical judgements made in applying accounting policies

Ownership of motor vehicles

Certain motor vehicles of the Group are registered in the name of independent third parties, which hold the motor vehicles on behalf of the Group under trust arrangement. In the opinion of the directors, the trust arrangement is sufficient to create valid trusts under the law of Hong Kong that the Group is the beneficial owner of the motor vehicles. Therefore, the Group has accounted for these motor vehicles as property, plant and equipment of the Group.

(b) Key sources of estimate uncertainty

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of trade and other receivables after provision for impairment amounted to HK\$313,937,000 (2015: HK\$489,634,000).

Impairment of investments and receivables

The Group assesses annually if investments in associates have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)
(b) Key sources of estimate uncertainty (Continued)

Impairment of property, plant and equipment and intangible assets

The management determines whether the Group's property, plant and equipment and intangible assets are impaired where an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of net selling price or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Allowance for inventories

The Group's management reviews the condition of inventories, as stated in note 18 to the consolidated financial statements, at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKASs 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKASs 16 and 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
Various HKFRSs	Annual Improvement Project – 2012-2014 Cycle ¹
HKFRS 15 and clarifications to HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 16	Leases ³
Amendments to HKAS 28 (2011) and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The directors are in the process of assessing the possible impact on the adoption of the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

4. SEGMENTAL INFORMATION

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers, who are the directors of the Company, for the purposes of resource allocation and performance assessment, the Group has presented the following reporting segments. No operating segments have been aggregated to form the following reporting segments:

- Supply chain management segment which provides services involving the planning and implementation of an integrated solution for the effective flow of business, logistic, information and funds;
- Energy management segment which provides energy and other resources management and conservation system and integrated solutions; and
- Lightning electromagnetic pulse segment which provides integrated solutions for lightning electromagnetic pulse protection and its related engineering design, construction and technical services, which is considered as the discontinued operations as detailed in note 10 to the consolidated financial statements.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision makers monitor the results, assets and liabilities attributable to each reporting segment on the following bases:

Segment assets include all allocated assets with the exception of interest in associates and other corporate assets. Segment liabilities include trade and other payables attributable to the sales/service activities of the individual segment.

Revenue and expenses are allocated to the reporting segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

4. SEGMENTAL INFORMATION (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reporting segments as provided to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below.

Continuing operations

	Supply chain management services business		Energy management business		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue						
Sale of goods to external customers	1,662,799	1,630,379	–	–	1,662,799	1,630,379
Service fees from external customers	130	557	2,082	1,922	2,212	2,479
	1,662,929	1,630,936	2,082	1,922	1,665,011	1,632,858
Segment results	(160,204)	(13,880)	(3,046)	(1,293)	(163,250)	(15,173)
Loss on disposal of available-for-sale financial assets					–	(70)
Impairment loss of goodwill					–	(4,000)
Unallocated income					499	629
Unallocated expenses					(28,518)	(39,712)
Share of results of associates					(8,811)	(1,523)
Loss before taxation					(200,080)	(59,849)
Income tax expenses					(1,622)	–
Loss for the year from continuing operations					(201,702)	(59,849)
Assets and liabilities						
Segment assets	321,206	560,088	5,569	8,670	326,775	568,758
Assets relating to discontinued operations					–	13,859
Unallocated assets, including interests in associates					17,988	237,264
Consolidated total assets					344,763	819,881
Segment liabilities	3,708	318,984	8,101	10,068	11,809	329,052
Liabilities relating to discontinued operations					–	6,685
Unallocated liabilities					5,193	6,054
Consolidated total liabilities					17,002	341,791
Other segment information						
Amortisation of intangible assets	–	–	–	–	13	4
Amortisation of other assets	–	–	–	–	1,024	545
Bad debts written off	984	–	–	–	984	–
Depreciation	69	13	224	232	4,268	2,895
Impairment loss of intangible assets	14,775	–	–	–	14,775	–
Impairment loss of property, plant and equipment	3,934	–	–	–	3,934	–
Loss on disposal of property, plant and equipment and other assets	–	–	–	–	1,751	–
Provision for prepayment	24,999	–	–	–	24,999	–
Write down of inventories	64,651	–	–	–	64,651	–
Write off of prepayment	2,508	–	–	–	2,508	–
Additions to non-current assets	8,016	10,923	–	–	8,779	37,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

4. SEGMENTAL INFORMATION (CONTINUED)

(b) Geographical information

The Group's operations are primarily derived from external customers located in Hong Kong and the PRC. The following table provides an analysis of the Group's revenue from external customers by geographical market and information about the non-current assets by locations of assets:

	Revenue from external customers		Carrying amounts of non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	298,945	783,543	11,788	21,583
PRC	1,366,066	849,315	670	26,393
	1,665,011	1,632,858	12,458	47,976

(c) Information about major customers

For the year ended 31 March 2016, three customers (2015: three customers) that individually accounted for over 10% of total revenue for continuing operations of the Group are set out below:

	Supply chain management services business		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Customer A	401,740	342,306	401,740	342,306
Customer B	214,768	166,744	214,768	166,744
Customer C	214,284	–	214,284	–
Customer D	–	698,736	–	698,736
	830,792	1,207,786	830,792	1,207,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

5. REVENUE

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

	2016	2015
	HK\$'000	HK\$'000
Sale of goods from:		
Supply chain management services business	1,662,799	1,630,379
Service fees from:		
Energy management business	2,082	1,922
Supply chain management services business	130	557
Revenue	1,665,011	1,632,858
Interest income from bank deposits	510	227
Interest income from available-for-sale financial assets	–	223
Interest income from other receivables	–	100
Other revenue	510	550
Total revenue	1,665,521	1,633,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

6. LOSS BEFORE TAXATION

Loss before taxation from both continuing and discontinued operations is stated after charging (crediting):

	2016 HK\$'000	2015 HK\$'000
Employee benefit expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	15,890	16,190
Contribution to defined contribution schemes	686	705
	16,576	16,895
Other items		
Amortisation (included in administrative expenses):		
– Intangible assets	13	4
– Other assets	1,024	545
Auditor's remuneration	900	950
Bad debts written off	984	–
Cost of services rendered (including relevant employee benefit expenses and depreciation)	1,838	8,954
Cost of goods sold	1,653,639	1,621,976
Depreciation of property, plant and equipment	4,268	2,895
Exchange (gain) loss, net	(1,634)	3,026
Impairment loss (included in other operating expenses):		
– Goodwill	–	4,000
– Intangible assets	14,775	–
– Property, plant and equipment	3,934	–
Loss on disposal of available-for-sale financial assets	–	70
Loss on disposal of property, plant and equipment and other assets	1,751	–
Operating lease payments for premises	9,840	5,556
Provision for prepayment	24,999	–
Research and development costs	–	1,798
Sponsorship fee on naming right over a football team	23,055	2,073
Write-down of inventories	64,651	–
Write-off of prepayment	2,508	–
Write-off of property, plant and equipment	–	409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

7. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	2016				Total HK\$'000
	Directors' fees HK\$'000	Discretionary bonus HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contribution to defined contribution scheme HK\$'000	
Executive directors					
Chen Jiang (appointed on 7 August 2015)	325	-	-	-	325
Chen Nan (re-designated to non-executive director on 19 June 2015 and resigned on 7 August 2015)	210	-	41	9	260
Gong Dongsheng (resigned on 19 June 2015)	259	-	113	12	384
Huang He (appointed on 7 August 2015)	624	-	36	-	660
Huang Johnny (appointed on 7 August 2015 and resigned on 4 May 2016)	781	-	-	-	781
Li Zhike (resigned on 7 August 2015)	189	-	126	12	327
Wu Zhinan	300	-	256	-	556
Yu Weiye (appointed on 19 June 2015 and resigned on 7 July 2015)	60	-	-	-	60
Zhang Xiaozheng (appointed on 17 June 2015 and resigned on 28 July 2015)	42	-	-	-	42
	2,790	-	572	33	3,395
Non-executive directors					
Chen Nan (re-designated from executive director on 19 June 2015 and resigned on 7 August 2015)	125	-	153	5	283
Lam Kwok Cheong (appointed on 17 June 2015 and resigned on 28 July 2015)	42	-	-	-	42
	167	-	153	5	325
Independent non-executive directors					
Chui Man Lung Everett (appointed on 20 May 2015)	130	-	-	-	130
Huang Yunlong (resigned on 17 June 2015)	31	-	-	-	31
Li Mei (appointed on 7 August 2015)	78	-	-	-	78
Liu Weiliang	150	-	-	-	150
Lung Chee Ming George (appointed on 17 June 2015 and resigned on 28 July 2015)	21	-	-	-	21
Ma Yiu Ho, Peter (resigned on 20 May 2015)	21	-	-	-	21
	431	-	-	-	431
	3,388	-	725	38	4,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

7. DIRECTORS' REMUNERATION (CONTINUED)

	2015				Total HK\$'000
	Directors' fees HK\$'000	Discretionary bonus HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contribution to defined contribution scheme HK\$'000	
Executive directors					
Chan Francis Ping Kuen	76	30	-	4	110
Chan Hin Wing, James	40	30	-	-	70
Chen Nan	666	160	-	28	854
Gong Dongsheng	726	200	-	30	956
Li Zhike	139	90	-	5	234
Woo Yik Man	397	211	-	19	627
Wu Zhinan	300	100	638	-	1,038
	2,344	821	638	86	3,889
Non-executive director					
Tsang Ho Ka, Eugene	132	57	-	6	195
Independent non-executive directors					
Cheung Chi Hwa, Justin	20	15	-	-	35
Kinley Lincoln James Lloyd	13	-	-	-	13
Kwok Chi Sun, Vincent	20	15	-	-	35
Kwok Kam Tim	13	-	-	-	13
Huang Yunlong	90	25	-	-	115
Liu Weiliang	90	25	-	-	115
Ma Yiu Ho, Peter	106	25	-	-	131
Tam Chak Chi	10	-	-	-	10
Yeung Kam Yan	20	15	-	-	35
Yu Chon Man	11	-	-	-	11
	393	120	-	-	513
	2,869	998	638	92	4,597

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

7. DIRECTORS' REMUNERATION (CONTINUED)

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2016 and 2015. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 March 2016 and 2015.

There were no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the years ended 31 March 2016 and 2015.

The directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or a connected entity of a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 March 2016 and 2015.

8. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two directors (*2015: three*), details of whose remuneration are set out in note 7 to the consolidated financial statements above. Details of the remuneration of the remaining three (*2015: two*) highest paid individuals, who are not directors, are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,094	1,361
Contribution to defined contribution schemes	37	25
	2,131	1,386

The three (*2015: two*) highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2016	2015
Nil to HK\$1,000,000	3	2

No remuneration was paid by the Group to any of the three (*2015: two*) highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office for the years ended 31 March 2016 and 2015.

There was no arrangement under which any of the three (*2015: two*) highest paid individuals waived or agreed to waive any remuneration for the year ended 31 March 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

9. INCOME TAX EXPENSES

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong during the year ended 31 March 2016. Hong Kong Profits Tax had not been provided as the Group incurred a loss for taxation purposes for the year ended 31 March 2015.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations		
Current tax		
Hong Kong Profits Tax, current year	1,622	–
Discontinued operations	–	–
Total income tax expenses from continuing and discontinued operations	1,622	–
<i>Reconciliation of effective tax rate from continuing operations</i>		
	2016 %	2015 %
Applicable tax rate	(21.1)	(16.6)
Share of results of associates	0.7	0.4
Non-deductible expenses	8.3	14.8
Non-taxable revenue	–	(1.0)
Unrecognised tax losses	5.4	3.5
Unrecognised temporary differences	7.5	0.2
Utilisation of previously unrecognised tax losses	–	(0.4)
Others	–	(0.9)
Effective tax rate for the year	0.8	–

The applicable tax rate is the weighted average of tax rates prevailing in the territories in which the Group's entities operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

10. DISCONTINUED OPERATIONS

(a) Disposal of Boomtech Limited ("Boomtech")

On 27 July 2015, Power Chance Holdings Limited, an indirect wholly owned subsidiary of the Company, entered into and completed a sale and purchase agreement with an independent third party, pursuant to which Power Chance Holdings Limited sold the entire equity interest and assigned the outstanding shareholders' loan of Boomtech at a consideration of HK\$400,000 (the "Boomtech Disposal"). Upon completion of the Boomtech Disposal, the Group no longer has any equity interest in Boomtech. As all the relevant percentage ratio (as defined in the GEM Listing Rules) in respect of the Boomtech Disposal fall below 5%, such disposal does not constitute a notifiable transaction of the Company and hence is not subject to any disclosure requirements under chapter 19 and 20 of the GEM Listing Rules.

Boomtech and its subsidiaries (together as the "Boomtech Group") are engaged in the provision of integrated solutions for lightning electromagnetic pulse protection and its related engineering design, construction and technical services.

Management considers that following the Boomtech Disposal, the Group's control over Boomtech had been discontinued and thereby constituted discontinued operations. Accordingly, certain comparative figures in the consolidated statement of comprehensive income have been re-presented to reflect the results of the continuing operations and discontinued operations. The results and cash flows of Boomtech for the period from 1 April 2015 to 27 July 2015 included in the consolidated statement of comprehensive income for the year ended 31 March 2016 are as follows:

(i) Loss for the year from discontinued operations contributed by Boomtech

	2016 HK\$'000	2015 HK\$'000
Revenue	760	7,203
Cost of services rendered	(326)	(7,248)
	434	(45)
Other revenue	–	3
Other income	–	1,379
Selling and distribution costs	(89)	(1,124)
Administrative expenses	(1,058)	(2,559)
Loss before taxation	(713)	(2,346)
Income tax expenses	–	–
Loss after taxation	(713)	(2,346)
Loss on disposal of subsidiaries	(3,451)	–
Net loss attributable to discontinued operations	(4,164)	(2,346)

(ii) Net cash inflows (outflows) attributable to discontinued operations contributed by Boomtech

	2016 HK\$'000	2015 HK\$'000
Net cash flows		
Operating activities	978	(910)
Investing activities	–	3
Total net cash inflows (outflows)	978	(907)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

10. DISCONTINUED OPERATIONS (CONTINUED)

(b) Disposal of Beaming Investments Limited ("Beaming")

On 18 July 2014, Upper Power Limited, a direct wholly-owned subsidiary of the Company, entered into a subscription agreement with an independent third party (the "Beaming Investor"), pursuant to which Upper Power Limited sold the entire equity interest of Beaming to the Beaming Investor at a consideration of HK\$3,000,000 (the "Beaming Disposal"). Upon completion of the Beaming Disposal on 1 August 2014, the Group no longer has any equity interest in Beaming.

Beaming and its subsidiaries were engaged in the provision of energy and other resources management and conservation system and integrated solutions to optimise usage for enterprise, including the telecommunication operators in the PRC.

Management considered that following the Beaming Disposal, the Group's control over Beaming had been discontinued. Since the operation and cash flow of Beaming were clearly distinguished, operationally and for financial reporting purposes, and represented a separate major line of business under the segment of energy management business, it constituted discontinued operations. The results and cash flows of Beaming for the period from 1 April 2014 to 1 August 2014 included in the consolidated statement of comprehensive income for the year ended 31 March 2015 are as follows:

(i) Profit for the year from discontinued operations contributed by Beaming

	2015 HK\$'000
Revenue	2,066
Cost of services rendered and cost of goods sold	<u>(47)</u>
	2,019
Selling and distribution costs	(1,179)
Administrative expenses	<u>(726)</u>
Profit before taxation	114
Income tax expenses	<u>—</u>
Profit after taxation	114
Gain on disposal of subsidiaries	806
Income tax related to gain on disposal of subsidiaries	<u>—</u>
Net profit attributable to discontinued operations	<u>920</u>

(ii) Net cash outflows attributable to discontinued operations contributed by Beaming

	2015 HK\$'000
Net cash flows	
Operating activities	(114)
Investing activities	<u>(12)</u>
Total net cash outflows	<u>(126)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

11. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year (2015: Nil).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for continuing and discontinued operations and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2016	2015
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company from continuing and discontinued operations	(205,532)	(59,185)
Loss attributable to equity holders of the Company from continuing operations	(201,702)	(59,849)
	Number of shares	
	2016	2015
Weighted average number of ordinary shares in issue during the year	1,514,686,669	583,046,276

The Company had no dilutive potential ordinary shares for the years ended 31 March 2016 and 2015. Accordingly, the diluted loss per share is the same as basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2014	833	450	23,354	233	24,870
Additions	409	–	196	15,467	16,072
Disposal of subsidiaries	–	–	(838)	–	(838)
Written off	(409)	–	–	–	(409)
Exchange realignment	(31)	(17)	(813)	(9)	(870)
	802	433	21,899	15,691	38,825
At 31 March 2015 and 1 April 2015					
Additions	–	–	4,130	763	4,893
Disposal of subsidiaries	–	(39)	(95)	(227)	(361)
Disposals	–	–	–	(8,402)	(8,402)
Exchange realignment	10	6	274	3	293
	812	400	26,208	7,828	35,248
At 31 March 2016					
Accumulated depreciation and impairment					
At 1 April 2014	334	239	23,071	17	23,661
Depreciation	160	61	64	2,610	2,895
Disposal of subsidiaries	–	–	(618)	–	(618)
Exchange realignment	(12)	(9)	(838)	(1)	(860)
	482	291	21,679	2,626	25,078
At 31 March 2015 and 1 April 2015					
Depreciation	162	59	84	3,963	4,268
Disposal of subsidiaries	–	(33)	(79)	(85)	(197)
Disposals	–	–	–	(3,676)	(3,676)
Impairment	–	–	3,934	–	3,934
Exchange realignment	6	3	272	1	282
	650	320	25,890	2,829	29,689
	650	320	25,890	2,829	29,689
At 31 March 2016					
Net book value					
At 31 March 2016	162	80	318	4,999	5,559
At 1 April 2015	320	142	220	13,065	13,747

As a result of the suspension of the development of industry chain integration platform as stated in note 14 to the consolidated financial statements, the Group carried out a review of the recoverable amount of the computer and office equipment associated with such platform. The review led to the recognition of an impairment loss of HK\$3,934,000 in the profit or loss for the year ended 31 March 2016. The impairment loss has been included in the “other operating expenses” line item in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

14. INTANGIBLE ASSETS

	Computer software	Trademarks	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reconciliation of carrying amount – year ended 31 March 2015			
At 1 April 2014	–	–	–
Additions	10,757	124	10,881
Amortisation	–	(4)	(4)
At 31 March 2015	10,757	120	10,877
Reconciliation of carrying amount – year ended 31 March 2016			
At 1 April 2015	10,757	120	10,877
Additions	3,886	–	3,886
Amortisation	–	(13)	(13)
Impairment	(14,775)	–	(14,775)
Exchange realignment	132	2	134
At 31 March 2016	–	109	109
At 1 April 2015			
Cost	42,283	124	42,407
Accumulated amortisation and impairment losses	(31,526)	(4)	(31,530)
At 31 March 2016			
Cost	46,169	124	46,293
Accumulated amortisation and impairment losses	(46,169)	(15)	(46,184)
At 31 March 2016	–	109	109

Computer software

In October 2014, the Group entered into a memorandum of strategic cooperation with SAP (Beijing) Software System Company Limited for strategic cooperation in relation to the development of the industry chain integration platform for a term of four years. As a result, computer software related to the solution management for the supply chain business of approximately HK\$3,886,000 (2015: HK\$10,757,000) was bought. Since the software was not yet available for use as of 31 March 2015, no amortisation was provided for during the year then ended.

Management had decided to suspend the development of the industry chain integration platform during the year and assessed that the recoverable amounts of the computer software would be minimal. Accordingly, impairment loss of HK\$14,775,000 was made on the computer software during the year. The impairment loss has been included in the “other operating expenses” line item in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

15. INTERESTS IN ASSOCIATES

	2016 HK\$'000	2015 HK\$'000
Share of net assets	–	9,104

The associates are accounted for in the consolidated financial statements using the equity method, details of which at the end of the reporting period are as follows:

Name of associate	Place of incorporation/ registration and operation	Nominal value of issued ordinary shares/registered capital	Proportion of nominal value of issued/registered capital indirectly held by the Group	Principal activities
China Optic Communication Technology Limited (“China Optic BVI”)	British Virgin Islands	US\$1,051	47.67%	Investment holding
China Optic Communication Technology Limited	Hong Kong	HK\$1	47.67%	Investment holding
Wuhan Xiang Fei Ji Ye Communication Technology Limited* 武漢翔飛基業通信科技有限公司	The PRC	RMB5,500,000	47.67%	Manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment
Shenzhen JiaYeTongHui Technology Limited* 深圳佳業同輝科技有限公司	The PRC	RMB2,000,000	47.67%	Trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment
Wuhan Xiang Yu Ji Ye Communication Technology Limited* 武漢市翔宇基業通信科技有限公司	The PRC	RMB1,000,000	47.67%	Research, development and sale of telecommunication products

* English translation of company names is for identification purpose only. These companies are registered as wholly foreign-owned enterprise under the PRC law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INTERESTS IN ASSOCIATES (CONTINUED)

Relationship with the associates

China Optic BVI and its subsidiaries (together the “China Optic Group”), which manufacture and trade products related to optimal optical fibers, electric power network systems and equipment and provide associated services in the PRC, allow the Group to penetrate the telecommunication optic fiber market.

Fair value of investments

All of the above associates are private companies, with no quoted market price available.

Financial information of individually material associates

Summarised financial information of the China Optic Group, the material associates of the Group is set out below, which represents amounts shown in the associates’ financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	China Optic Group	
	2016	2015
	HK\$'000	HK\$'000
Gross amount		
Current assets	14,222	31,881
Non-current assets	1,775	2,012
Current liabilities	(22,727)	(14,587)
Non-current liabilities	(89)	(207)
Equity	(6,819)	19,099
Reconciliation		
Gross amount of equity	(6,819)	19,099
Group’s ownership interests	47.67%	47.67%
Carrying amount of interests	–	9,104
Revenue	3,233	1,823
Loss for the year	(26,144)	(3,195)
Other comprehensive income (loss)	227	(654)
Total comprehensive loss	(25,917)	(3,849)
Dividends received from the associates	–	–
Group’s ownership interests	47.67%	47.67%
Group’s share of results of associates	(8,811)	(1,523)
Group’s share of other comprehensive loss of associates	(293)	(312)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

15. INTERESTS IN ASSOCIATES (CONTINUED)

Unrecognised share of losses of associates

The unrecognised share of loss of associates for the current year amounted to HK\$3,652,000 (2015: Nil) and the related share of losses cumulatively up to the end of the reporting period amounted to HK\$3,652,000 (2015: Nil).

16. OTHER ASSETS

	2016 HK\$'000	2015 HK\$'000
Net carrying amount		
At beginning of the reporting period	9,700	–
Additions	–	10,245
Disposals	(980)	–
Amortisation	(1,024)	(545)
At end of the reporting period	7,696	9,700
Current portion	906	1,025
Non-current portion	6,790	8,675
	7,696	9,700

Other assets represent payments for the right to use the vehicle licence plates and are amortised on a straight-line basis over a lease period of 10 years.

17. GOODWILL

	2016 HK\$'000	2015 HK\$'000
At cost less accumulated impairment losses		
At beginning of the reporting period	5,573	10,808
Disposal of subsidiaries	(5,573)	(1,235)
Impairment loss	–	(4,000)
At end of the reporting period	–	5,573

Goodwill acquired through business combinations is allocated to the Group's cash-generating units ("CGUs") for impairment test as follows:

	Note	2016 HK\$'000	2015 HK\$'000
CGU			
Payment gateway business		209,627	209,627
Lightning electromagnetic pulse protection business	(i)	–	78,473
Cost		209,627	288,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

17. GOODWILL (CONTINUED)

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
CGU			
Payment gateway business		209,627	209,627
Lightning electromagnetic pulse protection business	(i)	–	72,900
		209,627	282,527
Accumulated impairment losses			
		209,627	282,527
	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
CGU			
Payment gateway business		–	–
Lightning electromagnetic pulse protection business	(i)	–	5,573
		–	5,573
Net book value			
		–	5,573

Note:

(i) Lightning electromagnetic pulse protection business

Upon the Boomtech Disposal as detailed in notes 10(a) and 29(i) to the consolidated financial statements, the goodwill with carrying amount of HK\$5,573,000 was derecognised and included in the determination of loss on disposal of subsidiaries.

18. INVENTORIES

	2016 HK\$'000	2015 <i>HK\$'000</i>
Finished goods	10,018	–

The Company entered into an agreement in February 2015 with a supplier for the purchase of timber logs at a net consideration of HK\$74,519,000. The transaction was completed in April 2015. Management realised that the current market price has been substantially less than the cost of inventories and therefore engaged a valuer to assess the fair value of the inventories as at the end of the reporting period. With reference to a valuation report prepared by Ascent Partners Valuation Service Limited, an independent valuer, the management assessed and determined that a provision of HK\$64,651,000 against the carrying value of inventories was required and recognised as expense in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

19. TRADE AND OTHER RECEIVABLES

	Note	2016 HK\$'000	2015 HK\$'000
Trade receivables from third parties		380,004	458,033
Allowance for bad and doubtful debts	(ii)	(79,385)	(78,405)
	(i)	300,619	379,628
Other receivables			
Prepayments		2,661	17,084
Advance payment to suppliers	(iii)	–	87,302
Deposits		2,629	2,747
Other receivables		223	2,590
Other tax recoverable		7,520	–
Due from associates	(iv)	285	283
		13,318	110,006
		313,937	489,634

(i) Aging of trade receivables

Except for 360 days being granted to certain customers under supply chain management business, the Group grants credit term ranging from 30 days to 90 days to its customers upon the delivery of products or when the services are rendered and invoices are issued. The aging of trade receivables (net of allowances of bad and doubtful debts) based on invoice date is as follows:

	2016 HK\$'000	2015 HK\$'000
Less than 90 days	–	242,652
91 – 180 days	35,657	132,087
181 – 270 days	261,999	835
271 – 365 days	1,010	–
Over 1 year	1,953	4,054
	300,619	379,628

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Allowance for bad and doubtful debts

	2016 HK\$'000	2015 <i>HK\$'000</i>
At beginning of reporting period	78,405	85,065
Disposal of subsidiaries	–	(3,598)
Exchange realignment	980	(3,062)
At end of reporting period	79,385	78,405

Included in the Group's trade receivables balance are debtors with carrying amounts of HK\$300,619,000 (2015: HK\$24,577,000), which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality and the directors believe that the amounts are fully recoverable.

	2016 HK\$'000	2015 <i>HK\$'000</i>
Current	–	355,051
Less than 90 days past due	–	19,053
91 – 180 days past due	52,257	2,934
181 – 270 days past due	245,399	–
271 – 365 days past due	1,161	61
Over 1 year past due	1,802	2,529
	300,619	24,577
	300,619	379,628

Receivables that were neither past due nor impaired as at 31 March 2015 relate to debtors for whom there was no history of default.

(iii) Advance payment to suppliers

The amounts represented payments made in advance to suppliers for purchase of goods.

(iv) Due from associates

The amounts due are unsecured, interest-free and have no fixed repayment term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

20. BANK BALANCES AND CASH

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cash at bank and in hand	7,444	113,793
Fixed deposits	–	167,453
	7,444	281,246

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term fixed deposits are made between one month and three months depending on the immediate cash requirement of the Group, and earn interest at the prevailing short-term deposit rates.

21. TRADE AND OTHER PAYABLES

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	(i)	18	314,375
Accruals		2,807	5,633
Other tax payables		2,061	2,294
Other payables		8,374	12,220
Due to directors	(ii)	2,120	2,872
		15,380	337,394

(i) Aging of trade payables

At the end of the reporting period, the aging analysis of the trade payables based on invoice date is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Less than 90 days	18	229,961
91 – 180 days	–	84,414
	18	314,375

(ii) Due to directors

The amounts due to directors are unsecured, interest-free and have no fixed repayment term.

22. LOAN FROM A DIRECTOR

The amount represented a loan from Mr. Wu Zhinan for the purpose of the reorganisation of Boomtech prior to the acquisition of Boomtech. The amount due was unsecured, interest-free and was derecognised through the Boomtech Disposal on 27 July 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

23. SHARE CAPITAL

	<i>Note</i>	No. of shares	HK\$'000
Authorised:			
At 31 March 2015 and 31 March 2016, ordinary share of HK\$0.01 each		20,000,000,000	200,000
Issued and fully paid:			
At 1 April 2014, ordinary shares of HK\$0.01 each		441,817,348	4,418
Shares issued upon rights issue		883,634,696	8,836
At 31 March 2015, ordinary shares of HK\$0.01 each		1,325,452,044	13,254
Shares issued upon placing in August 2015	<i>(i)</i>	88,363,469	883
Shares issued upon placing in September 2015	<i>(ii)</i>	265,000,000	2,650
At 31 March 2016, ordinary shares of HK\$0.01 each		1,678,815,513	16,787

Note:

- (i) In August 2015, a total of 88,363,469 ordinary shares of HK\$0.01 each were issued by way of placing to not less than six independent investors at a price of HK\$0.172 per share. The market value per share at the completion date of the placing was HK\$0.18. The Company raised approximately HK\$15,199,000 before expenses, for general working capital of the Group. Expenses of approximately HK\$338,000 arising from the placing were recognised in the share premium account of the Company.
- (ii) In September 2015, a total of 265,000,000 ordinary shares of HK\$0.01 each were issued by way of placing to not less than six independent investors at a price of HK\$0.15 per share. The market value per share at the completion date of the placing was HK\$0.215. The Company raised approximately HK\$39,750,000 before expenses, for general working capital of the Group. Expenses of approximately HK\$1,135,000 arising from the placing were recognised in the share premium account of the Company.

All shares issued during the year rank pari passu with the existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

24. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 18 October 2011. The purpose of the share option scheme is to enable the directors of the Company, at their discretion, to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group.

Eligible participants include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The Scheme became effective on 18 October 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme, upon their exercise may not be in aggregate exceed 10% of the shares of the Company in issue at any time. The maximum number of shares issuable to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. As at 31 March 2016, 167,881,551 shares (2015: 132,545,204 shares) of the Company, representing 10% (2015: 10%) of its issued capital, are available for issue under the Scheme.

The offer of a grant of share options may be accepted in writing within 7 days from the date of the offer, upon payment of a nominal consideration of HK\$1 per option in total by the grantee. Any share option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option but subject to the early termination of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, (iii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the ten business days immediately preceding the date of offer of the option, and (iv) the nominal value of the Company's shares on the date of offer.

During the years ended 31 March 2016 and 2015, no share options had been granted, exercised, cancelled or lapsed under the Scheme. There were no share options outstanding as at 31 March 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

25. RETIREMENT BENEFITS SCHEME

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”). The assets of the MPF Scheme are held separately in provident fund managed by independent trustee. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund Legislation. Both the employer’s and the employees’ monthly contributions are subject to a cap of HK\$1,500.

The Group’s subsidiaries in the PRC also participate in defined contribution retirement schemes covering its PRC employees. The schemes are administered by the relevant government authorities which undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group’s PRC subsidiaries.

During the year, the amount of employer’s contributions made by the Group to the defined contribution plans was approximately HK\$686,000 (2015: HK\$705,000).

26. DEFERRED TAXATION

Unrecognised deferred tax assets arising from

	2016 HK\$'000	2015 HK\$'000
Deductible temporary differences	92,735	28,953
Tax losses	67,095	29,748
At end of the reporting period	159,830	58,701

At 31 March 2016, tax losses of HK\$10,911,000 (2015: HK\$10,911,000) arising in Hong Kong have no expiry date under current tax legislation. The tax losses of HK\$56,184,000 (2015: HK\$18,837,000) arising in the PRC can be used to set off against future taxable profits of the respective subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax assets in respect of these tax losses and deductible temporary differences because it is uncertain that future taxable profits will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

26. DEFERRED TAXATION (CONTINUED)

The unrecognised tax losses arising in the PRC at the end of the reporting period which can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years will expire as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Year of expiry		
2016	4,049	3,999
2017	6,766	6,682
2018	1,321	4,387
2019	767	3,769
2020	43,281	–
	56,184	18,837

At 31 March 2016 and 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is probable that any undistributed profits are expected to be retained in the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future. The estimated withholding tax effects on the distribution of retained profits of these PRC subsidiaries were Nil (2015: Nil). In addition, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's associates established in the PRC as the deferred tax impact on these unremitted earnings was insignificant.

27. COMMITMENTS

Capital expenditure commitments

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contracted but not provided for, net of deposit paid		
– Purchase of intangible assets	–	2,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

27. COMMITMENTS (CONTINUED)

Commitments under operating leases – the Group as lessee

The Group leases certain premises under operating lease commitments. Leases for premises are negotiated for terms ranging from 1 to 3 years.

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

	2016 HK\$'000	2015 <i>HK\$'000</i>
Within one year	3,113	9,501
In the second to fifth years inclusive	1,652	7,239
	4,765	16,740

28. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related party relationship	Nature of transaction	2016 HK\$'000	2015 <i>HK\$'000</i>
Key management personnel (other than directors)	Salaries, allowances and benefits in kind	1,637	1,785
	Contribution to defined contribution schemes	20	31
		1,657	1,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

29. DISPOSAL OF SUBSIDIARIES

(i) Year ended 31 March 2016 – Disposal of Boomtech

On 27 July 2015, the Group disposed of its entire interest in Boomtech to an independent third party at an aggregate cash consideration of HK\$400,000. The details are as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	164
Trade receivables	4,096
Prepayment, deposit and receivables	4,194
Bank balances and cash	1,501
Trade payables	(703)
Accruals and other payables	(11,084)
Tax payable	<u>(2,255)</u>
Net assets value	<u>(4,087)</u>
Non-controlling interests	2,636
Release of exchange reserve	(180)
Release of statutory reserve	(91)
Goodwill derecognised	5,573
Loss on disposal	<u>(3,451)</u>
Consideration	<u>400</u>
Satisfied by:	
Cash	<u>400</u>

Analysis of net outflow of cash and cash equivalents in respect of disposal of the subsidiaries is as follow:

	<i>HK\$'000</i>
Cash consideration	400
Bank balances and cash in subsidiaries disposed of	<u>(1,501)</u>
Net outflow of cash and cash equivalents on disposal	<u>(1,101)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

29. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(ii) Year ended 31 March 2015 – Disposal of Beaming

On 1 August 2014, the Group disposed of its entire interest in Beaming to an independent third party at an aggregate cash consideration of HK\$3,000,000. The details are as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	220
Trade receivables	9,216
Prepayment, deposit and receivables	2,389
Bank balances and cash	109
Trade payables	(2,884)
Accruals and other payables	(6,495)
Tax payable	<u>(243)</u>
Net assets value	<u>2,312</u>
Non-controlling interests	(1,217)
Release of exchange reserve	(136)
Goodwill derecognised	1,235
Gain on disposal	<u>806</u>
Consideration	<u>3,000</u>
Satisfied by:	
Cash	<u>3,000</u>

Analysis of net inflow of cash and cash equivalents in respect of disposal of the subsidiaries is as follow:

	<i>HK\$'000</i>
Cash consideration	3,000
Bank balances and cash in subsidiaries disposed of	<u>(109)</u>
Net inflow of cash and cash equivalents on disposal	<u>2,891</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank balances and cash and loan from a director. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and payables, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loans and receivables at amortised cost		
Trade and other receivables	303,385	385,248
Bank balances and cash	7,444	281,246
Total	310,829	666,494

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Financial liabilities at amortised cost		
Trade and other payables	12,410	333,340
Loan from a director	–	2,469
Total	12,410	335,809

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to trade receivables and bank balances.

A detailed discussion of the Group's credit risk in respect of trade receivables is set out in note 19 to the consolidated financial statements. The Group trades only with recognised and creditworthy third parties. Management closely monitors all outstanding debts and reviews the collectability of trade debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not hold any collateral over these assets.

At the end of the reporting period, the Group had a concentration of credit risk as 52% (2015: 77%) and 99% (2015: 96%) of the total trade receivables were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

The Group's bank balances are placed with credit-worthy banks in Hong Kong and in the PRC.

Interest rate risk

The Group's exposure to cash flow interest rate risk mainly arises from the fluctuation of the prevailing market interest rate on the bank balances. However, the management considers the Group's exposure to such interest rate risk is not significant as bank balances are all short-term in nature. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

Liquidity risk

Management of the Group aims at maintaining sufficient level of bank balances and cash to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The undiscounted contractual maturity profile of the Group's financial liabilities at the end of the reporting period, based on the earliest date on which the Group is required to settle the financial liabilities at the end of the reporting period is summarised below:

	2016			2015			
	Total carrying value HK\$'000	Total contractual cash flow HK\$'000	On demand HK\$'000	Total carrying value HK\$'000	Total contractual cash flow HK\$'000	On demand HK\$'000	Over 1 year HK\$'000
Trade and other payables	12,410	12,410	12,410	333,340	333,340	333,340	–
Loan from a director	–	–	–	2,469	2,469	–	2,469
	12,410	12,410	12,410	335,809	335,809	333,340	2,469

31. FAIR VALUE MEASUREMENTS

The carrying amounts of the financial assets and liabilities carried at other than fair value are not materially different from their fair values as at 31 March 2016 and 2015.

32. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2016 and 2015.

33. EVENTS AFTER THE REPORTING PERIOD

- (i) On 23 May 2016, Glory Wheel Trading Limited (“Glory Wheel”), a wholly-owned subsidiary of the Group, entered into a non-legally binding memorandum of understanding (“MOU”) with an independent third party in relation to the acquisition of 100% equity interest in Cheer Smart Incorporation Limited (“Cheer Smart”), a company incorporated in Hong Kong, for a total cash consideration of approximately HK\$24,000,000.

Cheer Smart is principally engaged in investment holding and has 50% interest in a joint arrangement that is structured as limited company established in the PRC, Shenzhen Oriental Electronic Commerce Supply Chain Management Company Limited (“Shenzhen Oriental”), which intends to engage in the supply chain management and operation of e-commerce in the PRC.

Shenzhen Oriental is in the process of a corporate reorganisation. Upon completion of the reorganisation, Cheer Smart will hold 60% equity interest in Shenzhen Oriental, which will then become a subsidiary of Cheer Smart.

On 30 May 2016, a supplemental MOU was signed and a refundable deposit of HK\$5,000,000 was paid up to the date of authorisation of the consolidated financial statements. A legally binding formal agreement in relation to the acquisition is yet to be finalised as at the date of these consolidated financial statements and therefore, it is not practicable to reliably estimate the financial effect for the acquisition.

- (ii) On 3 June 2016, Glory Wheel entered into a sale and purchase agreement with two vendors (the “Vendors”), both are independent third parties, in relation to the acquisition of 100% equity interest in Global United Investment Consultants Limited (“Global United”), a company incorporated in Hong Kong, for a total cash consideration of HK\$500,000.

Global United is principally engaged in money lending and holds a money lenders licence granted under the Money Lenders Ordinance (Cap. 163) of the Laws of Hong Kong.

On 3 June 2016, a cash consideration of HK\$500,000 was paid to the Vendors and the transaction was completed on 6 June 2016. As the initial accounting of the acquisition of Global United is incomplete, it is not practicable to reliably estimate the financial effect of the acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves are set out below:

<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Non-current assets		
Investment in subsidiaries	–	–
Current assets		
Other receivables	2,393	2,396
Due from subsidiaries	298,979	294,681
Bank balances and cash	565	172,678
	301,937	469,755
Current liabilities		
Other payables	1,055	200
Due to subsidiaries	6,017	2,395
	7,072	2,595
Net current assets	294,865	467,160
NET ASSETS	294,865	467,160
Capital and reserves		
Share capital	16,787	13,254
Reserves	278,078	453,906
TOTAL EQUITY	294,865	467,160

Approved and authorised for issue by the Board of Directors on 27 June 2016 and signed on its behalf by

Chen Jiang
Director

Huang He
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Reserves

(In HK\$'000)	<i>Note</i>	Share premium (Note (i))	Contributed surplus (Note (ii))	Accumulated losses	Total
At 1 April 2014		58,605	594,707	(504,478)	148,834
Loss for the year and total comprehensive loss for the year		–	–	(73,769)	(73,769)
Transactions with equity holders					
<i>Contributions and distributions</i>					
Issue of shares upon rights issue		378,841	–	–	378,841
		378,841	–	–	378,841
At 31 March 2015 and at 1 April 2015		437,446	594,707	(578,247)	453,906
Loss for the year and total comprehensive loss for the year		–	–	(225,771)	(225,771)
Transactions with equity holders					
<i>Contributions and distributions</i>					
Issue of shares upon placing in August 2015	23(i)	13,978	–	–	13,978
Issue of shares upon placing in September 2015	23(ii)	35,965	–	–	35,965
		49,943	–	–	49,943
At 31 March 2016		487,389	594,707	(804,018)	278,078

Note:

- (i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.
- (ii) Contributed surplus represents (i) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired and the nominal value of the Company's shares issued as consideration pursuant to the Group's reorganisation took place in 2001, (ii) the reduction of share premium and share capital took place in November 2012 and May 2013 respectively.

Under the Companies Act of Bermuda, the Company's contributed surplus is available for distribution to shareholders subject to the requirements of the Companies Act of Bermuda.

- (iii) As at 31 March 2016, no reserves of the Company were available for distribution to the equity holders of the Company (2015: HK\$16,460,000) in accordance with the requirements of the Companies Act of Bermuda.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

35. SUBSIDIARIES

(i) Particulars of the principal subsidiaries of the Company as at 31 March 2016 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued ordinary shares/ registered capital	Percentage of equity indirectly attributable to the Company	Principal activities
PalmPay Technology Company Limited* 北京互聯視通科技有限公司	The PRC	RMB29,186,000	100%	Provision of payment gateway services and energy management services
Rich Flash Limited	Hong Kong	HK\$10,000	100%	Trading of wooden products
Shenzhen Qianhai Sky Forever Industry Chain Management Company Limited* 深圳前海宇恒產業鏈管理有限公司	The PRC	Not yet paid up [#]	100%	Provision of supply chain management service, trading of metals and electronic products
Mindsim Limited	Hong Kong	HK\$10,000	100%	Trading of electronic products
Ever Active International Limited	British Virgin Islands	US\$1	100%	Property, plant and equipment holding
Zhao Yong Enterprise Limited	British Virgin Islands	US\$1	100%	Property, plant and equipment holding
Jun Chang Holdings Limited	British Virgin Islands	US\$1	100%	Property, plant and equipment holding
Great Truths Development Limited	British Virgin Islands	US\$1	100%	Property, plant and equipment holding
Yi Yuan Limited	British Virgin Islands	US\$1	100%	Property, plant and equipment holding
Zhong Sheng Holdings Limited	British Virgin Islands	US\$1	100%	Property, plant and equipment holding
Business Ahead Management Limited	Hong Kong	HK\$1	100%	Provision of administration service

* English translation of company names is for identification purpose only. These companies are registered as wholly foreign-owned enterprise under the PRC law.

[#] The registered capital is RMB100,000,000 and has to be injected on or before 1 January 2024.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the year.

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Year ended 31 March 2016

35. SUBSIDIARIES (CONTINUED)

(ii) Financial information of subsidiaries with individually material NCI

The following table shows the information relating to each of Viva Champion Limited and its subsidiaries (together the “Viva Champion Group”) and Boomtech Group, the non-wholly owned subsidiaries that have material non-controlling interests (“NCI”) from the date of acquisition. The summarised financial information represents amounts before inter-company eliminations since acquisition.

	Boomtech Group	Total
At 31 March 2016		
Proportion of NCI's ownership interests	N/A	
	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2016		
Revenue	760	760
Expenses	(1,473)	(1,473)
Loss	(713)	(713)
Other comprehensive loss	(144)	(144)
Total comprehensive loss	(857)	(857)
Loss attributable to NCI	(334)	(334)
Total comprehensive loss attributable to NCI	(385)	(385)
Dividends paid to NCI	–	–
Net cash inflow from:		
Operating activities	978	978
Total cash inflows	978	978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

35. SUBSIDIARIES (CONTINUED)

(ii) Financial information of subsidiaries with individually material NCI (Continued)

	Viva Champion		Total
	Group	Boomtech Group	
	HK\$'000	HK\$'000	HK\$'000
At 31 March 2015			
Proportion of NCI's ownership interests	N/A	45%	
Current assets	–	7,900	7,900
Non-current assets	–	181	181
Current liabilities	–	(10,613)	(10,613)
Non-current liabilities	–	(2,469)	(2,469)
Net liabilities	–	(5,001)	(5,001)
Carrying amount of NCI	–	(2,251)	(2,251)
Year ended 31 March 2015			
Revenue	2,066	8,585	10,652
Expenses	(4,178)	(10,931)	(15,110)
Loss	(2,112)	(2,346)	(4,458)
Other comprehensive income	(91)	(166)	(257)
Total comprehensive loss	(2,203)	(2,512)	(4,715)
Loss attributable to NCI	(1,035)	(1,055)	(2,090)
Total comprehensive loss attributable to NCI	(1,079)	(1,131)	(2,210)
Dividends paid to NCI	–	–	–
Net cash (outflow) inflow from:			
Operating activities	(114)	(910)	(1,024)
Investing activities	(12)	3	(9)
Total cash outflows	(126)	(907)	(1,033)