



**GROUND
PROPERTIES**

GROUND PROPERTIES COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 989

Annual Report
2013/14



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAI Xiu (*Chairman and Chief Executive Officer*)

CHEN Luhui

CONG Hongsong

Non-executive Director

TING Pang Wan, Raymond

Independent Non-executive Directors

CHAN Yuk Tong

MEI Jianping

NIE Meisheng

BOARD COMMITTEES

Audit Committee

CHAN Yuk Tong (*Chairman*)

MEI Jianping

NIE Meisheng

Remuneration Committee

CHAN Yuk Tong (*Chairman*)

MEI Jianping

NIE Meisheng

CHAI Xiu

Nomination Committee

MEI Jianping (*Chairman*)

CHAN Yuk Tong

CHAI Xiu

COMPANY SECRETARY

LUNG Yuet Kwan

LEGAL ADVISOR

Michael Li & Co.

AUDITOR

Mazars CPA Limited

Certified Public Accountants

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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15 Queen's Road Central

Central

Hong Kong

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Fax: (852) 2209 2988

Website: <http://www.groundproperties.com>

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

989

Financial Highlights

FIVE-YEAR FINANCIAL SUMMARY

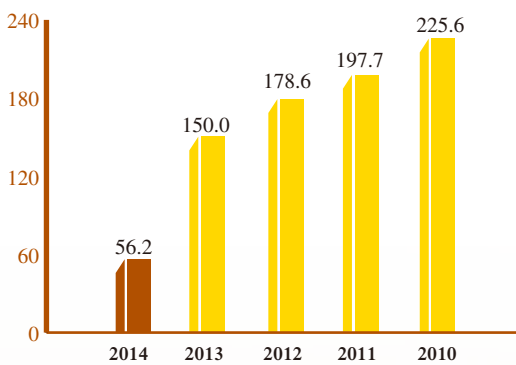
	Year ended 31 March				
	2014	2013 (Restated)	2012 (Restated)	2011 (Restated)	2010 (Restated)
Turnover ⁽¹⁾ (HK\$ million)	56.2	150.0 ⁽²⁾	178.6 ⁽²⁾	197.7 ⁽²⁾	225.6 ⁽²⁾
Gross profit ⁽¹⁾ (HK\$ million)	39.4	68.3 ⁽²⁾	76.7 ⁽²⁾	84.5 ⁽²⁾	92.5 ⁽²⁾
(Loss) Profit for the year from continuing operations (HK\$ million)	(3.8)	42.4	(41.9)	3.7	45.7
Profit (Loss) for the year from discontinued operations (HK\$ million)	—	40.8	(5.0)	(14.8)	(7.8)
(Loss) Profit for the year ⁽¹⁾ (HK\$ million)	(3.8)	83.2	(46.9)	(11.1)	37.9
(Loss) Earnings per share ^{(1) (3)} (HK cents)	(0.68)	14.75	(8.27)	(2.03)	6.85
Total assets (HK\$ million)	753.4	464.7	402.6	442.4	469.7
Total liabilities (HK\$ million)	317.6	19.6	41.1	35.1	52.9
Net assets (HK\$ million)	435.8	445.1	361.5	407.3	416.8
Net assets value per share ⁽³⁾ (HK\$)	0.76	0.79	0.64	0.72	0.74
Working capital ratio	0.32	10.52	3.75	4.31	3.11
Long-term debt to equity	35.6%	N/A	N/A	N/A	N/A
Gearing ratio	67.7%	0%	0%	0%	0.03%

(1) The information represents the continuing and discontinued operations.

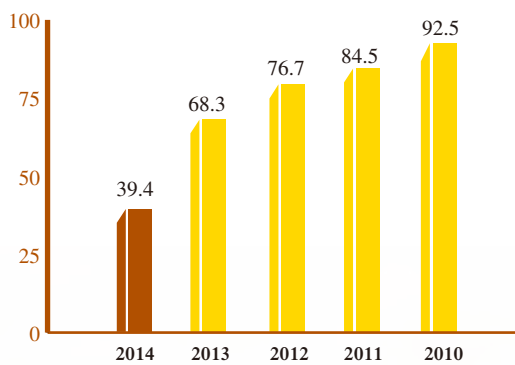
(2) The figures have been restated to reclassify rental income of the property investment segment from other revenue to turnover.

(3) The figures for the year ended 31 March 2010, 2011, 2012 and 2013 have been restated to conform the presentation in 2014 for share consolidation of every 5 shares of HK\$0.01 each in the issued and unissued share capital into 1 share of HK\$0.05.

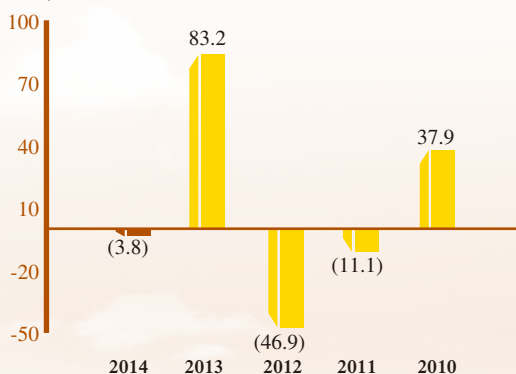
TURNOVER HK\$'M



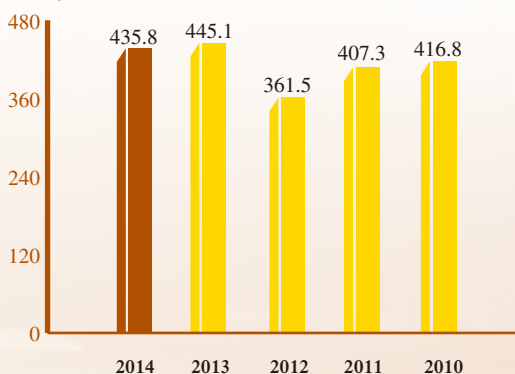
GROSS PROFIT HK\$'M



(LOSS) PROFIT FOR THE YEAR HK\$'M



NET ASSETS HK\$'M



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the “Board”) of Ground Properties Company Limited (“Ground Properties” or the “Company”), I am pleased to report the annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2014.

The past year has been a truly meaningful one for Ground Properties. The Group has completed the change of the management team in November 2013, followed by the completion of the change of the Company’s name to “Ground Properties Company Limited”. These initiatives have marked a new milestone in the Group’s business development. Riding on the professional expertise and extensive experience of the management team, the Group has strived to diversify its business, capture market opportunities and drive sustainable business growth by focusing on the People’s Republic of China (“PRC”) market and embarking on global expansion.



During the year under review, the Group recorded a turnover of HK\$56,211,000, a drop of approximately 11.7% year-on-year. Due to the absence of revenue and profit generated from the mobile communications services business which was disposed of in March 2013, along with the increase in legal and professional fees associated with the notifiable transactions during the year as well as the smaller increment in the fair value gains of investment properties when compared with 2013, the Group recorded an operating loss of HK\$27,008,000.

Global economic prospects remained uncertain and the overall economic growth in the PRC has also slowed down slightly during the year under review. However, stimulated by the strong demand in the property market, land premiums and residential property prices continued to steadily rise despite government restrictions to monitor the property market. The national annual land transaction price was RMB991.8 billion, a year-on-year increase of 33.9%. Selling price per square meter of commodity housing nationally also increased by 7.7% year-on-year to RMB6,237. In view of the continuous steady development in the property industry, the Group has made a strategic decision to enter the property market in the PRC. We currently operate three major businesses: provision of telecommunications retail sales and management services, property investment and property development and management.

Chairman's Statement

The telecommunications retail sales and management sector continued to be affected by the high penetration of the mobile service and strategy changes by the Shanghai telecommunications operator. In view of that, the Group has adjusted its strategies to enhance the profitability of the business based on the trends in the development of the telecommunications industry. The Group will also seek for the opportunities to cooperate with other telecommunications operators to further expand its telecommunications business and capitalise on its channel advantage to further expand the retailing of electronic products, such as mobile accessories. In addition, acknowledging the increasing importance of the property investment business, the Group has re-positioned the property investment business as a separate business segment. The property market in northeast China is growing steadily among different regions in the PRC. Jilin Province, in particular, offers specific advantages and fast economic growth. The Group has completed the acquisition of the entire issued share capital in Ace Plus Global Limited which principal asset is 35% effective interest of a PRC company which in turn holds a property project in Changbaishan, Jilin Province in the PRC ("Changbaishan Property Project") and has secured the management rights of the project. Occupying an area of more than 1,000,000 square meters, the Changbaishan Property Project will be built into a high-end resort comprising six-star hotel, theme park, stand-alone houses and apartments. The construction of the Changbaishan Property Project will commence in mid-2014 and is expected to start pre-sale by the end of the year. The Group believes that the Changbaishan Property Project has great potential to generate strong revenue and serve as a foundation to expand into the property investment and management market in the PRC.

Looking ahead, as for its property investment and telecommunications retail sales and management services segments, the Group will adhere to its traditional practice of looking for potential opportunities and implement flexible planning by adjusting to market changes. Furthermore, it is believed that the demand for property will continue to be strong along with the rapid urbanisation in the PRC. Regional markets with healthy supply and demand conditions will maintain steady growth. While the Central Government strives to create and optimise the regulatory mechanism to guide the healthy development of the property market, the Group believes that the property market will continue healthy growth benefitting from the stable external environment. The Group will continue to look for suitable property investment opportunities in the PRC or other parts of the world in the future. The Group will leverage the opportunities presented by property development in Jilin Province, closely monitor market trends and prudently assess the development opportunities of different potential projects so as to provide quality, innovative and competitive property projects, aiming to achieve growth in its three major business segments.

To strengthen its business foundation for realising further expansion, the Group conducted an open offer and such open offer was completed in May 2014. The proceeds from the said open offer will be mainly used for developing the property investment business so as to increase the Group's recurrent income and returns to shareholders as disclosed in the prospectus of the Company dated 7 May 2014.

Last but not least, I would like to thank the management and staff for their dedicated effort, and our business partners and shareholders for their constant support. As always, the management will strive its utmost to reward your support to Ground Properties.

CHAI Xiu
Chairman

Hong Kong, 18 June 2014

Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW

During the year, the Group has changed the name of the Company to “Ground Properties Company Limited” and adopted “廣澤地產有限公司” as the Chinese secondary name. This move helps the Group create a fresh corporate image as it reflects its commitment to entering the property development and management business more accurately. The Group has also actively explored property investment opportunities in order to generate stable rental income with a high rate of return. To cope with the intense competition in the telecommunications industry resulting from the proliferation of electronic communication technologies, the Group has integrated and further developed its telecommunications retail and management services business during the period to improve its performance.

During the year under review, the Group recorded a turnover of HK\$56,211,000, a drop of approximately 11.7% when compared with HK\$63,663,000 last year. Loss after tax was HK\$3,856,000, compared with profit after tax of HK\$42,409,000 last year. The loss was mainly attributable to the increase in legal and professional



fees associated with the notifiable transactions during the year of about HK\$9,500,000, as well as the smaller increment in the fair value gains of investment properties from about HK\$79,000,000 last year to about HK\$11,000,000, representing a decrease of approximately 86.1%. In addition, the mobile communications services business which the Group disposed of in March 2013, with a gain from disposal of the mobile communications services business of about HK\$41,996,000, has ceased to generate revenue and profit for the Group during the year. However, the effects of which were partially offset by the absence of impairment loss of goodwill relating to the telecommunications retail sales and management services business in Shanghai in 2014 while the impairment loss of goodwill in 2013 was about HK\$29,117,000.

Telecommunications retail sales and management services

Turnover of the segment decreased to approximately HK\$46,452,000 from HK\$59,871,000 in the same period last year while gross profit slightly increased from HK\$31,309,000 to HK\$31,859,000. The decline in turnover was mainly due to reductions in the sales of mobile handsets with a lower profit margin, prepaid mobile services, and fewer promotional campaigns initiated by the Shanghai telecommunications operator. However, the overall gross margin has improved from approximately 52% to approximately 69% as a result of the decrease in the sales of the low margin mobile handset business. The telecommunications retail sales and management services recorded a net loss after tax of approximately HK\$1,112,000 as compared to that of HK\$45,000 in the prior year.

Given the highly competitive telecommunications industry, the telecommunications operator in Shanghai has adjusted its marketing strategy including shifting its handset bundled services to prepaid services, requiring customers to make a substantial upfront payment. As a result, the income derived from attracting new subscribers has decreased significantly. Facing the market changes, the Group has promptly adjusted its business development strategy, including enhancing its management standard, introducing senior management talent with rich experience in the telecommunications industry and optimising its store network within newly developed districts. During the year, the Group has made a strategic decision to close its entire network of smaller specialty stores and to open new stores in the areas which have considerable development potential and are expected to become prosperous, as a way to control operating costs and improve operating efficiency. The Group is continuing collaboration with the Shanghai telecommunications operator to further enhance the management of its existing retail service stores, add new high value-added services and optimise its services portfolio in a bid to boost its business performance. As of 31 March 2014, the Shanghai operations managed a total of 20 retail service stores (*31 March 2013: 24 stores*).

Property investment

Acknowledging the increasing importance of the property investment business, the Group has re-positioned its major businesses, designating property investment as a separate business segment. During the year, rental income from property investment was HK\$9,759,000, a significant increase from HK\$3,792,000 recorded in the last corresponding period (the rental income recorded in the last corresponding period was for seven months only due to the expiration of the old tenancy in October 2012). The substantial increase was mainly due to the rental income being generated from a longer period of twelve months and the increase in rent during the year.

Management Discussion and Analysis

Property development and management

In 2013, the Central Government has exhibited a tendency to adopt steady development strategies. It places greater emphasis on the long-term economic growth at the same time as it promotes urbanisation. Based on the data of the National Bureau of Statistics of the PRC, the total investment in property development in the PRC was about RMB8.6 trillion in 2013, an increase of 19.8% as compared with last year and a year-on-year growth of 3.6 percentage points in the pace of growth. The saleable area of commodity housing was about 1.3 billion square meters, a year-on-year increase of approximately 17.3%. The growth rate of the entire property market was approximately 19.4%.

Among all provinces and cities, Jilin Province is one of the regions with a strong potential for the development of tourism. In 2013, Jilin Province received approximately 104.0 million domestic and foreign visitors, a year-on-year increase of approximately 15.6%, and recorded a total tourism income of approximately RMB147.7 billion, a year-on-year growth of approximately 25.4%. To tap into this booming property market in China, the Group has completed the acquisition of the entire issued share capital in Ace Plus Global Limited which principal asset is 35% effective interest of a PRC company which in turn holds the Changbaishan Property Project in October 2013. The Changbaishan Property Project occupies a total gross floor area of approximately 1,130,000 square metres and will be developed into a high-end resort comprising a six-star hotel, a theme park, stand-alone houses and apartments. The development of the Changbaishan Property Project is to be completed in phases. Pre-sale of Phase 1 of the project is expected to begin in the second half of 2014. The Group will benefit from the 35% profit derived from the sales of residential units of the project and recurring rental income from the commercial units. Besides, the Group has also obtained the management rights of the Changbaishan Property Project. Thus the Changbaishan Property Project will create a new income stream through the provision of management services including planning, design, budgeting, licensing, contract tendering and contract administration. This segment has made no contribution to the Group's income during this financial year, and it is expected to start recording the relevant turnover and revenue during the next financial year.

PROSPECTS

The Group, as a professional telecommunications outsourcing services provider, will continue its close partnership with the Shanghai telecommunications operator and at the same time actively seek opportunities to cooperate with other telecommunications service providers to further expand its telecommunications business. The Group will assess the potential of fast-growing regions prudently, capture the opportunities to further enlarge its retail store network and enlarge its market share through its high quality services as well as capitalising on its channel advantage to further expand the retailing of electronic products, such as mobile accessories.

Regarding the property investment business, the Group will adhere to its prudent development strategy by closely monitoring changes in the market and carefully examining potential business opportunities, with the aim to diversify its investment portfolio. The Group will continue to look for suitable property investment opportunities in the PRC or other parts of the world in the future. The Group is considering purchasing and is in the process of identifying a commercial building in a large city (including but not limited to Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong or other large cities in northeastern China), which can be held as an investment property and can be leased for commercial office purposes, and aims to develop a balanced property portfolio that meets the market demand so as to increase its recurring income.

The PRC economy is expected to maintain steady growth in the future. Stimulated by different factors such as urbanisation, upgrade of industry structure, population growth and population migration, the property market is likely to face a long period of rising prices. As the Government has continued to enhance its urbanisation policy and strived to optimise a long term effective mechanism for healthy development of the property market, it is believed that market regulation will aim at realising sustainable long-term development. Moreover, the GDP per capita and the living standard in the PRC has continued to rise, which should stimulate the market demand for a high quality lifestyle with greater leisure time. Following the change of the Company's name, the Group's professional management is poised to fully capitalise on the Group's rich experience in property investment and management and capture the enormous opportunities from the booming commercial property market in the PRC. The Changbaishan Property Project in which the Group invested is believed to be of huge development potential. The Changbaishan Property Project is situated in a prime location, near Wanda Resort, a scenic spot in the National Scenic Area of Tianchi and Changbaishan Airport. It is well-positioned to meet local demand for hotels, sightseeing and tourist facilities. The fees from the property management contract should bring new revenue streams to the Group in the next financial year. In May 2014, the Group completed the open offer which expanded the financial resources for the potential investment in future.

In addition, the Group is continuing to explore commercial property projects with high growth potential. As for the residential property, given the strong rigid demand in northeastern China and the healthy market environment, the Group is seeking investment opportunities in this region which are suitable for its business scale and withhold good growth prospects. The Group also plans to increase its land bank at a gradual pace to add new drivers in order to sustain its business expansion when suitable opportunity arises.

ACQUISITION OF 35% EQUITY INTEREST IN CHANGBAISHAN PROPERTY PROJECT AND DISPOSAL OF CERTAIN ASSETS

During the year, the Group completed (i) the acquisition of 35% equity interest in the Changbaishan Property Project including its management rights at a consideration of HK\$385,000,000, of which HK\$300,000,000 was paid by cash and the remaining balance of HK\$85,000,000 was paid by way of issue of the promissory notes (the "Acquisition") and (ii) the disposal of, inter alia, the entire issued share capital of Express Lane Investment Limited, a former wholly-owned subsidiary of the Company, and the club membership of the Company at the consideration of HK\$5,660,000 (the "Disposal"). Upon the completion of the Disposal, net proceeds of approximately HK\$5,660,000 was raised. Details of the Acquisition and Disposal were disclosed in the announcements dated 26 April 2013, 10 May 2013, 13 May 2013, 7 June 2013, 17 June 2013, 10 July 2013, 22 July 2013, 30 August 2013, 19 September 2013, 25 September 2013, 30 September 2013, 9 October 2013, 18 October 2013, 24 October 2013 and 29 October 2013 and the circular dated 30 September 2013 as well as 2013/14 interim report respectively.

Management Discussion and Analysis

DISPOSAL OF MOBILE COMMUNICATIONS SERVICES BUSINESS

The Group completed the disposal of mobile communications services business in March 2013 (the “MVNO Disposal”) and the remaining balance of the consideration together with interest in a total sum of approximately HK\$39,000,000 under the promissory note dated 1 March 2013 issued by VelaTel Global Communications, Inc. the holding company of Gulfstream Capital Partners Ltd., the purchaser, was settled on 29 October 2013. Details of the MVNO Disposal were disclosed in the announcements dated 27 November 2012, 4 February 2013, 4 March 2013, 1 August 2013, 13 September 2013 and 29 October 2013 and the circular dated 18 December 2012 as well as 2013/14 interim report respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group had current assets of HK\$51,954,000 (2013: HK\$156,216,000), including cash and bank balances and time deposits in an aggregate of HK\$38,860,000 (2013: HK\$102,099,000). The Group’s current liabilities as at 31 March 2014 were HK\$162,546,000 (2013: HK\$14,854,000). The liquidity ratio (calculated on the basis of the Group’s current assets to its current liabilities) of the Group as at 31 March 2014 was 0.32 times (2013: 10.52 times).

As at 31 March 2014, the Group has outstanding borrowings of approximately HK\$295,000,000 (2013: Nil) which comprised of (i) bank borrowings of approximately HK\$210,000,000 and (ii) the promissory note of HK\$85,000,000. The Group’s bank loans are repayable quarterly commencing from April 2015 and the last installment will be in October 2018. The gearing ratio of total borrowing as a percentage of the total capital and reserves attributable to equity holders of the Company as at 31 March 2014 was 67.7% (2013: Nil).

In May 2014, the Company raised net proceeds of approximately HK\$284,000,000 through an open offer on the basis of one (1) offer share (the “Offer Share”) for every two (2) then shares at a price of HK\$0.02 per Offer Share (or HK\$1.00 per Consolidated Share (as defined below)) (the “Open Offer”). The net proceeds from the Open Offer will be applied (i) as to not more than HK\$264,000,000 for developing the Group’s property investment business and (ii) as to the remaining for general working capital purposes.

It is anticipated that the Group’s bank balance and cash, as at 31 March 2014, together with the unutilised banking facilities, the management fee to be received from property development and management business and the proceeds from the Open Offer will be sufficient to discharge its debts and to fund its operations. However, the Group will continue to implement stringent cost control measures and explore fund-raising opportunities in order to further enhance and strengthen its liquidity position and financial resources for operational requirements.

SHARE CAPITAL

As at 31 March 2014, the Company had 2,853,150,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$435,917,000 (2013: HK\$439,197,000).

In May 2014, the Company has the following movements in the share capital:

- (i) following the passing of the ordinary resolution approving the consolidation (the "Share Consolidation") of every five (5) issued and unissued shares of HK\$0.01 each into one (1) consolidated share of HK\$0.05 each (the "Consolidated Share") at the special general meeting, the Share Consolidation became effective on 15 May 2014. Accordingly, the authorised share capital and the issued share capital of the Company were consolidated to HK\$780,000,000 divided into 15,600,000,000 shares of HK\$0.05 each and HK\$28,615,000 divided into 572,300,000 shares of HK\$0.05 each respectively; and
- (ii) following the completion of the Open Offer on 28 May 2014, an aggregate of 286,150,000 Offer Shares were issued. Accordingly, the issued share capital of the Company had been increased to 858,450,000 shares.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any significant contingent liabilities (2013: Nil).

CHARGE ON ASSETS

As at 31 March 2014, the Group's investment properties with aggregate carrying value of approximately HK\$315,000,000 (2013: Nil) were pledged as security for banking facilities.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

The majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group is exposed to the fluctuations in Renminbi for certain receipts and payments which are settled by Renminbi. However, the management will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2014, the Group had 274 (2013: 304) full-time staff. Total staff costs (including directors' emoluments) incurred for the year amounted to approximately HK\$36,235,000 (2013: HK\$51,353,000, including the staff cost incurred by both continuing and discontinued operations). The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including discretionary bonus, training allowance and provident fund.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. Chai Xiu, aged 49, was appointed as an executive director of the Company, the Chairman and Chief Executive Officer of the Group in November 2013. Ms. Chai is also a member of Remuneration Committee and Nomination Committee and holds directorships in various subsidiaries of the Company. Ms. Chai is a businesswoman with over 23 years of working experience primarily in the property and dairy product industries in the PRC. Since 2010, she has been the chief executive of Ground Investment Holding (Group) Limited (廣澤投資控股集團有限公司), where she is primarily in charge of the overall operation of its property development and management business in Jilin Province, the PRC. From 2005 to 2010, she served as the chief executive of Jilin Guangze Group Limited (吉林省廣澤集團有限公司) where she was responsible for the overall operation and management of the group, including dairy business and the real estate development and management business. From 2001 to 2005, she served as the general manager of Jilin Dairy Group Guangze Limited (吉林省乳業集團廣澤有限公司), where she was responsible for the overall operation and management of the company, including administration, product development, sales and after sales service. From 1996 to 2001, she served as general manager in Jilin Damin Property Development Company Limited (吉林省大民房地產開發有限責任公司), where she was in charge of its property development business in Jilin Province, the PRC. Ms. Chai obtained an EMBA degree from Cheung Kong Graduate School of Business in 2008.

Mr. Chen Luhui, aged 29, was appointed as an executive director of the Company in November 2013 and holds directorships in various subsidiaries of the Company. Mr. Chen has over 7 years of experience in corporate management, corporate finance, capital and financial management. He has been a director of Ground Real Estate Group Stock Co., Ltd. (廣澤地產集團股份有限公司) since 2011 and an assistant to the chairman of Ground Investment Holding (Group) Limited (廣澤投資控股集團有限公司) since 2010. Mr. Chen has also been a director of Innoform Strategic Capital Limited and the deputy chief executive officer of 吉林省長江股權投

資基金管理有限公司 since 2011. He is also a director of Pangu Capital Limited, a company licensed by the Securities and Futures Commission under Type 9 activity, since November 2013. From July 2007 to 2009, he was the assistant to the chairman of Jingrui Properties (Group) Co., Ltd. (formerly known as Shanghai Jingrui Properties (Group) Co., Ltd.). Mr. Chen holds a Bachelor degree in Economics from Tsinghua University, the PRC.

Mr. Cong Hongsong, aged 44, was appointed as an executive director of the Company in November 2013 and holds directorships in various subsidiaries of the Company. Mr. Cong has over 21 years of experience in real estate industry, specialising in product positioning and planning, marketing planning and sales organisation management. Mr. Cong has made intensive study on different categories of real estates, such as large-scale suburban real estate, specialised-market real estate, community and commercial real estate, shopping mall, business hotel and resort and so on. He has been a vice president of Ground Real Estate Group Stock Co., Ltd. (廣澤地產集團股份有限公司) since May 2011. Prior joining the group, Mr. Cong was the assistant general manager and vice president of 泰德(中國)商業地產公司 from 2008 to 2011 and a general manager of 浙江盾安置業有限公司 from 2003 to 2008. He had been an assistant general manager of 瀋陽銀基集團 from 2001 to 2003 and a sales director of 瀋陽建設投資公司 from 1998 to 2001. Mr. Cong had worked for 海南匯通集團 from 1993 to 1998, mainly participating in planning and design. Mr. Cong received a Bachelor of Architecture from Shenyang University, the PRC in 1993.

NON-EXECUTIVE DIRECTOR

Mr. Ting Pang Wan, Raymond, aged 40, served as executive director of the Company from October 2006 to November 2013 and served as the chairman of the Group from November 2006 to November 2013. He was re-designated from an executive director to a non-executive director since 29 November 2013. Mr. Ting has over 18 years of experience in property development and investments in the PRC. He is currently the sole shareholder and director of LT International Holdings Limited which was established by Mr. Ting's father and other business partners and is a holding company with subsidiaries principally engaged in property development and investments in Guangzhou, Shanghai and Beijing, the PRC and investment in securities since 1991. Mr. Ting has been an executive director and the chairman of Credit China Holdings Limited (Stock Code: 8207), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), since September 2012 and October 2012 respectively. He studied Economics and International Relation in Beloit College in the United States of America from 1992 to 1994.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, aged 52, was appointed as an independent non-executive director of the Company, a member and the chairman of Audit Committee and Remuneration Committee and a member of Nomination Committee in November 2013. Mr. Chan has over 26 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. He is currently a director of Ascenda Cachet CPA Limited. Mr. Chan has been an independent non-executive director of each of Ausnutria Dairy Corporation Limited (Stock Code: 1717) since September 2009, Global Sweeteners Holdings Limited (Stock Code: 3889) since June 2008, Sinopoly Battery Limited (Stock Code: 729) since November 2006 and Kam Hing International Holdings Limited (Stock Code: 2307) since March 2004, companies listed on the Main Board of the Stock Exchange. He had also been an independent non-executive director of each of BYD Electronic (International) Company Limited (Stock Code: 285) from 2009 to 2013, Xinhua Winshare Publishing and Media Co., Ltd. (Stock Code: 811) from 2007 to 2013, Daisho Microline Holdings Limited (Stock Code: 567) from 2004 to 2013 and a non-executive director of Vitop Bioenergy Holdings Limited (Stock Code: 1178) from 2005 to 2011, companies listed on the Main Board of the Stock Exchange. Mr. Chan was an independent non-executive director of Anhui Conch Cement Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 914) and the Shanghai Stock Exchange (Stock Code: 600585) from 2006 to 2012. Mr. Chan holds a Bachelor degree in Commerce from the University of Newcastle, Australia and a Master degree in Business Administration from the Chinese University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

Mr. Mei Jianping, aged 54, was appointed as an independent non-executive director of the Company, a member and the chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee in November 2013. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business in Beijing, the PRC since 2006 and a fellow at Financial Institutions Center, the Wharton School of University of Pennsylvania, USA since 2004. From 2003 to 2008, he was a visiting professor of finance at Tsinghua University, the PRC. He was an assistant professor of finance from 1990 to 1995 and an associate professor from 1996 to 2005 at New York University, USA respectively. Mr. Mei has been a director of Cratings.com Inc. since 1999 and of Zhong De Securities Company Limited since 2009. He had also served as the chairman of board of Shanghai Zhangjiang JRTan.com Inc. from 2000 to 2012 and acted as a consultant for various financial institutions, such as Deutsche Bank, UBS, NCH Capital and Asia Development Bank. Mr. Mei has also been an independent non-executive director of Powerlong Real Estate Holdings Limited (Stock Code: 1238) since June 2008 and of MIE Holdings Corporation (Stock Code: 1555) since November 2010, both companies listed on the Main Board of the Stock Exchange. He has published a number of books and articles on topics related to finance. Mr. Mei received a Bachelor degree in Mathematics from Fudan University, the PRC in 1982, a Master degree in Economics and a Doctorate in Economics (Finance) from Princeton University, USA in 1988 and 1990 respectively.

Ms. Nie Meisheng, aged 73, was appointed as an independent non-executive director of the Company and a member of Audit Committee and Remuneration Committee in November 2013. Ms. Nie is a senior engineer of professor grade and has over 38 years of experience in civil engineering and construction technology. Ms. Nie has more than 19 years of experience working at the China Southwest Municipal Engineering Design Institute and was a member of the 12th China National Committee for Pacific Economic Cooperation since February 2013. She has served as the honorary chairwoman of China Real Estate Chamber of Commerce since 2013 and the vice chairwoman of the China Urban Water Supply and Drainage Association and the economic consultant to Jieyang City, Guangdong Province since 2006. Ms. Nie has also served as the chairwoman of the Estate Chamber of the China National Federation of Industry and Commerce since 2001 and of the Housing Industrialisation Office of the Ministry of Construction since 1998. She was a standing committee member of the China National Federation of Industry and Commerce from 2004 to 2008. She had been the general director of the Science & Technology Department of the PRC and the vice director of the Science and Technology Committee of the Ministry of Construction from 1995 to 2000. Ms. Nie has also been the independent non-executive director of Future Land Development Holdings Limited (Stock Code: 1030) since November 2012, Road King Infrastructure Limited (Stock Code: 1098) since October 2012 and Powerlong Real Estate Holdings Limited (Stock Code: 1238) since August 2009, companies listed on the Main Board of the Stock Exchange. Ms. Nie graduated from civil engineering department of Tsinghua University, the PRC, specialising in water supply and drainage.

Directors' Report

The Board is pleased to submit its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. During the year, its subsidiaries were principally engaged in provision of telecommunications retail sales and management services, property investment and property development and management, including planning, design, budgeting, licensing, contract tendering and contract administration. The principal activities and other particulars of its subsidiaries are set out in note 37 to the consolidated financial statements.

Details of the analysis of the performance of the Group for the year by operating segments are set out in note 8 to the consolidated financial statements.

CHANGE OF NAME

Pursuant to a special resolution passed at a special general meeting held on 23 January 2014, the name of the Company was changed from China Motion Telecom International Limited to Ground Properties Company Limited and the Chinese secondary name of “廣澤地產有限公司” was adopted.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated income statement on pages 63 and 64.

The Board does not recommend the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

RESERVES

Movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 68 and note 30 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2014 calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK\$361,786,000 (2013: HK\$376,999,000) subject to restrictions as set out in note 30 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movement in investment properties and property, plant and equipment of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movement in share capital and share options of the Company during the year are set out in notes 28 and 29 to the consolidated financial statements respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3.

BORROWINGS

Details of the Group's and the Company's borrowings as at 31 March 2014 are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws (the "Bye-laws") or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders of the Company.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2014.

Directors' Report

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March 2014 are set out in note 34 to the consolidated financial statements.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Ms. CHAI Xiu, <i>Chairman and Chief Executive Officer</i>	<i>(appointed as director on 6 November 2013 and as Chairman and Chief Executive Officer on 29 November 2013)</i>
Mr. CHEN Luhui	<i>(appointed on 29 November 2013)</i>
Mr. CONG Hongsong	<i>(appointed on 29 November 2013)</i>
Mr. TING Pang Wan, Raymond, <i>Chairman</i>	<i>(resigned as Chairman and re-designated as non-executive director on 29 November 2013)</i>
Mr. JI Zuguang, <i>Deputy Chief Executive Officer</i>	<i>(resigned as Deputy Chief Executive Officer on 29 November 2013 and resigned as director on 7 March 2014)</i>

Non-executive Director

Mr. TING Pang Wan, Raymond	<i>(re-designated from executive director on 29 November 2013)</i>
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Independent Non-executive Directors

Mr. CHAN Yuk Tong	<i>(appointed on 29 November 2013)</i>
Mr. MEI Jianping	<i>(appointed on 29 November 2013)</i>
Ms. NIE Meisheng	<i>(appointed on 29 November 2013)</i>
Mr. SIN Ka Man	<i>(resigned on 29 November 2013)</i>
Mr. HUANG An Guo	<i>(resigned on 29 November 2013)</i>
Ms. WONG Fei Tat	<i>(resigned on 29 November 2013)</i>

In accordance with bye-law 86(1) of the Bye-laws, one third of the directors of the Company (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every such director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any new director appointed by the Board shall hold office only until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election pursuant to bye-law 85(2) of the Bye-laws.

In accordance with the bye-law 86(1) of the Bye-laws, Mr. Cong Hongsong, Mr. Ting Pang Wan, Raymond and Mr. Chan Yuk Tong shall retire from office as directors by rotation at the forthcoming annual general meeting by rotation. Except for Mr. Ting Pang Wan, Raymond who has indicated that he would not seek for re-election at the forthcoming annual general meeting due to his personal commitments, the other retiring directors, namely Mr. Cong Hongsong and Mr. Chan Yuk Tong, being eligible, will offer themselves for re-election.

In accordance with bye-law 85(2) of the Bye-laws, Ms. Chai Xiu and Mr. Chen Luhui, being directors appointed by the Board as addition subsequent to the previous annual general meeting, shall hold office only until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Details of the directors to be retired and subject to re-election at the forthcoming annual general meeting of the Company are contained in the circular to be despatched together with this annual report.

The Company has received from each of the independent non-executive directors a written annual confirmation of their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all the independent non-executive directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of directors are set out on pages 14 to 17.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

The non-executive director has a fixed term of appointment of one year from 1 April 2014 and shall be subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws.

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

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed under the section of "CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS" described hereunder, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, Ms. Chai Xiu, an executive director of the Company, is a shareholder and director of 廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Limited) ("Ground Investment Holding"), which is a holding company with subsidiaries principally engaged in property development and investments in the PRC and therefore, Ms. Chai is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

As at the date of this report, Mr. Chen Luhui and Mr. Cong Hongsong, the executive directors of the Company, are a director and a vice president of Ground Real Estate Group Stock Co., Ltd. (廣澤地產集團股份有限公司) ("Ground Real Estate") respectively. Ground Real Estate is a subsidiary of Ground Investment Holding principally engaged in property development and investments in the PRC and therefore, Mr. Chen and Mr. Cong are considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

As at the date of this report, Mr. Ting Pang Wan, Raymond, the non-executive director of the Company, is a sole shareholder and director of LT International Holdings Limited, which is a holding company with subsidiaries principally engaged in property development and investments in Guangzhou, Shanghai and Beijing, the PRC and therefore, Mr. Ting is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Save as disclosed above, none of the directors was interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2014, the directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Interests in shares of the Company

Name of director	Nature of interest	Position	No. of ordinary shares held	Approximate percentage of shareholding
Ms. Chai Xiu	Corporate (Note 1)	Long	1,555,772,894 (Note 2)	54.53%

Notes:

1. The corporate interest is beneficially owned by Charm Success Group Limited ("Charm Success"), a company wholly and beneficially owned by Ms. Chai Xiu. Ms. Chai is therefore deemed to be interested in the 1,555,772,894 shares held by Charm Success. Ms. Chai is also a director of Charm Success.
2. The 1,555,772,894 shares were subsequently consolidated into 311,154,578 shares as a result of the Share Consolidation on the basis that every five (5) issued and unissued shares of HK\$0.01 each were consolidated into one (1) Consolidated Share of HK\$0.05 each became effective on 15 May 2014, details of which are set out in section headed "SUBSEQUENT EVENTS" below.

On 28 May 2014, the Company completed the Open Offer on the basis of one (1) Offer Share for every two (2) then shares at a price of HK\$0.20 per Offer Share (or HK\$1.00 Consolidated Share). As such, an aggregate of 246,866,116 Consolidated Shares were allotted and issued to Charm Success and accordingly, Charm Success is interested in an aggregate of 558,020,694 shares of the Company, representing approximately 65% of the entire issued share capital of the Company, as at the date of this report. Details of the Open Offer are set out in section headed "SUBSEQUENT EVENTS" below.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Interests in share options of the Company

Name of director	Nature of interest	Position	No. of share options held	Approximate percentage of issued shares
Nil	Nil	Nil	Nil	Nil

(c) Interests in shares of associated corporation of the Company

Name of director	Name of associated corporation	Relationship with the Company	Nature of interest	Position	No. of share held	Approximate percentage of shareholding
Ms. Chai Xiu	Charm Success	Holding company of the Company	Corporate (Note)	Long	1	100%

Note: The corporate interest in Charm Success is wholly and beneficially owned by Ms. Chai Xiu.

All interests disclosed above represent long positions.

Save as disclosed above, as at 31 March 2014, none of the directors, chief executive of the Company nor their respective associates had or were deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, nor chief executive of the Company, or any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for any securities in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, so far as being known to the directors and chief executive of the Company, the following parties (other than the directors and chief executive of the Company) had or were deemed to have the following interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of shareholder	Nature of interest	Position	No. of ordinary shares held	Approximate percentage of shareholding
Charm Success	Beneficial owner <i>(Notes 1 & 2)</i>	Long	1,555,772,894 <i>(Note 3)</i>	54.53%

Notes:

1. Charm Success is wholly and beneficially owned by Ms. Chai Xiu, a director of the Company.
2. The interests disclosed represent the same interests as the corporate interest of Ms. Chai as disclosed under the section headed "DIRECTORS' INTERESTS IN SECURITIES" above.
3. The 1,555,772,894 shares were subsequently consolidated into 311,154,578 shares as a result of the Share Consolidation, details of which are set out in section headed "SUBSEQUENT EVENTS" below.

On 28 May 2014, the Company completed the Open Offer. As such, an aggregate of 246,866,116 Consolidated Shares were allotted and issued to Charm Success and accordingly, Charm Success is interested in an aggregate of 558,020,694 shares of the Company, representing approximately 65% of the entire issued share capital of the Company, as at the date of this report. Details of the Open Offer are set out in section headed "SUBSEQUENT EVENTS" below.

Save as disclosed above, the Company has not been notified of any persons who, as at 31 March 2014, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

Directors' Report

SHARE OPTION SCHEMES

The share option scheme of the Company adopted on 6 September 2002 with scheme limit refreshed on 23 September 2009, which was due to expire on 6 September 2012 was terminated on 5 September 2012 (the "2002 Share Option Scheme"). A new share option scheme (the "2012 Share Option Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 5 September 2012.

Upon termination of the 2002 Share Option Scheme, no further share options would be granted by the Company under the 2002 Share Option Scheme but the share options granted and not yet exercised thereunder would however remain valid and exercisable and are bound by the terms therein until the end of the relevant exercise periods.

The 2012 Share Option Scheme shall be valid and effective for 10 years from the date of adoption, i.e. 5 September 2012. As at 31 March 2014, there were no share options granted by the Company thereunder.

During the year, the movement in the share options under the 2002 Share Option Scheme is as follows:

Grantee	Number of share options				Outstanding and exercisable as at 31 March 2014	Date of grant	Exercise period (Note 3)	Exercise price per share option HK\$	Closing price immediately before the date of grant HK\$	Approximate percentage of issued shares
	Outstanding and exercisable as at 1 April 2013	Granted during the year	Exercised during the year	Cancelled/lapsed during the year						
Former Directors:										
Mr. Ji Zuguang (Note 1)	9,000,000	-	(9,000,000)	-	-	10/08/2009	10/08/2009 - 09/08/2019	0.182	0.176	0.00%
	6,000,000	-	(6,000,000)	-	-	29/09/2009	29/09/2009 - 28/09/2019	0.160	0.155	0.00%
	15,000,000	-	(15,000,000)	-	-					0.00%
Mr. Wu Chi Chiu (Note 2)	12,000,000	-	-	(12,000,000)	-	10/08/2009	10/08/2009 - 09/08/2019	0.182	0.176	0.00%
	8,000,000	-	-	(8,000,000)	-	29/09/2009	29/09/2009 - 28/09/2019	0.160	0.155	0.00%
	20,000,000	-	-	(20,000,000)	-					0.00%
Sub-total	35,000,000	-	(15,000,000)	(20,000,000)	-					0.00%
Employees:	15,800,000	-	(9,430,000)	-	6,370,000	10/08/2009	10/08/2009 - 09/08/2019	0.182	0.176	0.22%
	10,200,000	-	(8,220,000)	-	1,980,000	29/09/2009	29/09/2009 - 28/09/2019	0.160	0.155	0.07%
Sub-total	26,000,000	-	(17,650,000)	-	8,350,000					0.29%
Total	61,000,000	-	(32,650,000)	(20,000,000)	8,350,000					0.29%

Notes:

1. Mr. Ji Zuguang resigned as a director of the Company on 7 March 2014.
2. Mr. Wu Chi Chiu resigned as a director of the Company on 31 March 2013. The 20,000,000 share options granted to Mr. Wu lapsed on 30 September 2013 (i.e. 6 months following the date of cessation as qualified person) as a result of his resignation pursuant to the 2002 Share Option Scheme.
3. According to the 2002 Share Option Scheme and the unconditional mandatory cash offers for, inter alia, cancellation of all the outstanding share options of the Company (“Option Offer”) made by Charm Success under the Hong Kong Code on Takeovers and Mergers, all the share options remaining unexercised will lapse and become null and void and of no further effect on 6 May 2014 (i.e. 6 calendar months after the date on which the Option Offer was made).

There was no vesting period for the share options granted.

Apart from as disclosed above, no share options were granted, exercised, cancelled or lapsed under the 2002 Share Option Scheme and the 2012 Share Option Scheme during the year.

Summary of each of the 2002 Share Option Scheme and the 2012 Share Option Scheme is as follows:

2002 Share Option Scheme

(Terminated on 5 September 2012)

2012 Share Option Scheme

1) Purpose	To recognise and acknowledge the contributions or potential contributions made or to be made by the qualified persons to the Group, to motivate the qualified persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the qualified persons whose contributions are or may be beneficial to the growth of the Group.	To recognise and acknowledge the contributions or potential contributions made or to be made by the participants to the Group or any entity in which the Group holds any equity interests (the “Invested Entity”), to motivate the participants to optimise their performance and efficiency for the benefit of the Group or the Invested Entity, and to maintain or attract business relationship with the participants whose contributions are or may be beneficial to the growth of the Group or the Invested Entity.

Directors' Report

SHARE OPTION SCHEMES (continued)

2002 Share Option Scheme

(Terminated on 5 September 2012)

2012 Share Option Scheme

- | | | |
|-----------------|---|---|
| 2) Participants | <p>(a) any part-time or full-time employee or officer of any member of the Group or any affiliate (as defined under the scheme) or of any substantial shareholder of any member of the Group; or</p> <p>(b) any director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate (as defined under the scheme); or</p> <p>(c) any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or</p> <p>(d) any substantial shareholder of the Company or of its subsidiaries</p> | <p>(a) any employee (including any executive director) or officer (including any non-executive director and independent non-executive director) or substantial shareholder of the Company or any subsidiary or any Invested Entity; or</p> <p>(b) any consultant, agent, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity; or</p> <p>(c) any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons, or any company beneficially owned by any of the abovementioned category(ies) of persons; or</p> <p>(d) any other person</p> |
|-----------------|---|---|

who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group as a whole.

who, the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group or Invested Entity based on his performance and/or years of service, or is regarded as valuable resources of the Group or the Invested Entity based on his work experience, knowledge in the industry and other relevant factors, or is expected to be able to contribute to the prosperity, business development or growth of the Group or the Invested Entity based on his/its business connection or network or other relevant factors.

2002 Share Option Scheme*(Terminated on 5 September 2012)***2012 Share Option Scheme**

3) Total number of shares available for issue	282,050,000 shares, being 10% of total number of shares in issue as at the date of refreshment of scheme limit on 23 September 2009.	56,410,000 Consolidated Shares, being 10% of the nominal amount of all the consolidated and issued shares as at the adoption date of the scheme on 5 September 2012.
4) Maximum entitlement of each participant	<p>In any 12-month period:</p> <p>(a) for each grantee, not exceeding 1% of the shares then in issue (including both exercised and outstanding options);</p> <p>(b) for substantial shareholders and independent non-executive directors, not more than 0.1% of the total issued shares for the time being and not having value in excess of HK\$5 million (including options exercised, cancelled or outstanding),</p> <p>unless separate approved by independent shareholders at general meeting.</p>	<p>In any 12-month period:</p> <p>(a) for each grantee, not exceeding 1% of the aggregate number of shares for the time being in issue (including both exercised and outstanding options);</p> <p>(b) for substantial shareholders and independent non-executive directors, not over 0.1% of the number of shares then in issue and not having aggregate value in excess of HK\$5 million (including options exercised, cancelled and outstanding),</p> <p>unless separately approved by independent shareholders at general meeting.</p>
5) Option period	A period set out in the relevant offer letter but expiring no later than the tenth anniversary of the date of offer.	A period commencing on the date as specified in the grant letter and expiring on the earliest of the last day of the said period or such time as specified in the scheme and/or the grant letter but not more than 10 years from the date of grant.

Directors' Report

SHARE OPTION SCHEMES (continued)

	2002 Share Option Scheme <i>(Terminated on 5 September 2012)</i>	2012 Share Option Scheme
6) Minimum period for which an option must be held before it can vest	No general performance target or minimum holding period to the vesting or exercise of options (subject to the terms of offer letter).	No minimum period before the options can be exercised unless otherwise imposed by the Board at its absolute discretion.
7) Payment on acceptance of option	HK\$1.00 to be payable as consideration for the grant of an option within 21 days from the date of offer.	HK\$1.00 in cash to be payable on acceptance within 21 days from the date of grant.
8) Subscription price	To be notified by the Board and shall be the highest of: <ul style="list-style-type: none"> (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is offered; or (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is offered; or (c) the nominal value of the shares. 	To be determined by the Board and shall be at least the highest of: <ul style="list-style-type: none"> (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day; (b) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option; and (c) the nominal value of the shares.
9) Life	A period of 10 years commencing from the date on which the scheme is taken effect, i.e. 6 September 2002, and expired on the tenth anniversary of such date, i.e. 6 September 2012.	A period of 10 years commencing on 5 September 2012 (being the date on which the scheme is adopted) and expiring on the tenth anniversary of such date, i.e. 5 September 2022.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had entered into the following transactions with connected parties:

- (a) On 25 April 2013, the Company, as purchaser, entered into a conditional sale and purchase agreement (the “Acquisition Agreement”) with Mr. Wei Cheng Si, an independent third party, as vendor, for the sale and purchase of (i) the entire issued share capital of Ace Plus Global Limited (“Ace Plus”) which principal asset is 35% effective interest of a company established in PRC (the “PRC Company”) which in turn holds contractual rights under (a) fourteen 國有建設用地使用權出讓合同 entered into between 撫松縣國土資源局 (“Fusong Land Resources Bureau”) and the PRC Company on 8 November 2012 pursuant to which Fusong Land Resources Bureau agreed to transfer and the PRC Company agreed to acquire the land located at Zone 1, Gusong Village, Fusongxingcheng, Baishan, Jilin Province, the PRC with a total site area of approximately 652,608 square meters; and (b) four 國有建設用地劃撥決定書 issued by Fusong Land Resources Bureau on 8 November 2012 pursuant to which Fusong Land Resources Bureau agreed to allocate and the PRC Company agreed to acquire the land located at Zone 1, Gusong Village, Fusongxingcheng, Baishan, Jilin Province, the PRC with a total site area of approximately 9,592 square meters (the “Land”); and (ii) the shareholder’s loan owing by Ace Plus to Mr. Wei Cheng Si as at the date of the completion of this acquisition, at the consideration of HK\$385,000,000, of which HK\$300,000,000 was paid by cash and the remaining balance of HK\$85,000,000 was paid by issue of the promissory notes (the “Acquisition”).

The Acquisition Agreement was subsequently amended and restated by a supplemental agreement dated 10 July 2013 for amendment of the payment term of the consideration, certain conditions precedent and other consequential amendments as a result of termination of the Original Agreement (as defined below) and the entering into of the Disposal Agreement (as defined below). The Acquisition and the Acquisition Agreement were approved by the independent shareholders of the Company at the special general meeting held on 18 October 2013 and the completion took place on 29 October 2013.

Directors' Report

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (continued)

(a) (continued)

Since the Acquisition involved the Company acquiring an interest in the PRC Company where the ultimate beneficial owner with 75% equity interest in the holding company of which, namely Mr. Cui Mindong, is an associate of the controlling shareholder of the Company, namely, Ms. Chai Xui, upon completion of the disposal of 1,555,000,000 shares of the Company, representing approximately 55.13% of the then issued share capital of the Company, by Marvel Bonus Holdings Limited ("Marvel Bonus") (i.e. since 29 October 2013), the Acquisition constituted a connected transaction for the Company under the Listing Rules.

- (b) Prior to signing of the Acquisition Agreement, a management contract dated 8 December 2012 (the "Management Contract") was entered into between Ace Plus and 撫松廣澤房地產開發有限公司 (Fusong Guangze Real Estate Development Company Limited) ("GZ Real Estate") pursuant to which Ace Plus would provide the management services to GZ Real Estate at the fees of (i) 4% of the total costs and expenses incurred by GZ Real Estate in the development of the Land excluding all expenses relating to the acquisition of the Land, tax expenses and finance costs less (ii) the payroll costs. The Management Contract does not have any fixed term and is expected to continue until the development project of the Land is completed.

The Management Contract constituted a continuing connected transaction during the year pursuant to the Listing Rules as GZ Real Estate is owned as to 65% by Ms. Chai Xiu, the substantial shareholder of the Company, and Mr. Cui Mindong, the associate of Ms. Chai Xiu. The Management Contract and the annual cap for each of the six financial years ending 31 March 2019 were approved by the independent shareholders of the Company at the special general meeting held on 18 October 2013. During the year ended 31 March 2014, no management fee was received by the Group under the Management Contract.

- (c) On 25 April 2013, China Motion Holdings Limited (now known as Ground Holdings Limited) (“CMH”) and Biara Investments Limited (“Biara Investments” and together with CMH, collectively the “Disposal Vendors”), the wholly-owned subsidiaries of the Company, as vendor, entered into a conditional sale and purchase agreement (the “Original Agreement”) with Marvel Bonus, the former controlling shareholder of the Company, as purchaser, pursuant to which (i) the Disposal Vendors conditionally agreed to sell and Marvel Bonus conditionally agreed to acquire the entire issued share capital of CM Mobile Holdings Limited, Sungloss International Limited, Master Form Limited, China Motion Data System Limited (now known as Ground Data System Limited), Victory Marker Limited, CM Concept Limited, CM Services Limited, General Tech Limited and Express Lane Investment Limited (collectively, the “Disposal Group”), all being the wholly-owned subsidiaries of the Company, which are principally engaged in the telecommunications retail sales and management services business and property investment business, and the aggregate amount of all loans owing by the Disposal Group to the Disposal Vendors; (ii) the Disposal Vendors conditionally agreed to procure the Company to assign and transfer the trademarks and the domain names registered and owned by the Company to Marvel Bonus; and (iii) CMH conditionally agreed to procure the Company to transfer a club membership of the Company to Marvel Bonus, at a consideration of HK\$245,000,000 (the “Disposal”). The Original Agreement is subject to certain conditions precedent to be fulfilled, including the approval of independent shareholders of the Company.

On 10 July 2013, the Disposal Vendors and Marvel Bonus entered into the deed of termination to terminate the Original Agreement and the Disposal.

On 10 July 2013, Biara Investments, as vendor, entered into a conditional sale and purchase agreement (the “Disposal Agreement”) with Marvel Bonus, as purchaser, for the sale and purchase of shares in Express Lane Investment Limited at a consideration of HK\$5,660,000 (including the consideration for transferring of the club membership of the Company) (the “New Disposal”).

The New Disposal constituted a connected transaction under Chapter 14A of the Listing Rules as Marvel Bonus was the then controlling shareholder of the Company. The New Disposal and the Disposal Agreement were approved by the independent shareholders of the Company at the special general meeting held on 18 October 2013 and the completion took place on 29 October 2013.

Directors' Report

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS (continued)

- (d) On 25 September 2013, the Company, as borrower, entered into a loan agreement (the "Loan Agreement") with Marvel Bonus, as lender, pursuant to which Marvel Bonus agreed to provide the Company with an interest-free, non-callable and unsecured loan facility in a principal amount equivalent to the difference between (i) HK\$36,620,250 and; (ii) any amount received by any member of the Group under the promissory note dated 1 March 2013 issued by VelaTel Global Communications, Inc. (the "Promissory Note") after the date of the Loan Agreement up to the completion of the Acquisition (the "Facility"). Since the Promissory Note was subsequently settled on 29 October 2013, the Company will not draw down the Facility.

Since Marvel Bonus is the then controlling shareholder and a connected person of the Company, the provision of the Facility by Marvel Bonus to the Company constituted a connected transaction under the Listing Rules.

Details of the transactions were disclosed in the announcements dated 26 April 2013, 10 May 2013, 13 May 2013, 7 June 2013, 17 June 2013, 10 July 2013, 22 July 2013, 30 August 2013, 19 September 2013, 25 September 2013, 30 September 2013, 9 October 2013, 18 October 2013, 24 October 2013 and 29 October 2013 and the circular dated 30 September 2013 respectively.

Certain exempt connected transactions/continuing connected transactions of the Company which were not subject to announcement and reporting requirements pursuant to the Listing Rules were also incurred during the year.

However, the directors, including independent non-executive directors, of the Company have reviewed all continuing connected transactions incurred during the year and confirmed that the transactions have been entered into by the Group:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or on terms no less favourable to the Group than the terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in interests of the shareholders of the Company as a whole.

The Company confirmed that it has complied with all necessary disclosure requirements for the continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

The auditor of the Company was engaged to report on the continuing connected transactions of the Group incurred during the year in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants and reported its conclusion to the Board that:

- (i) nothing has come to the auditor’s attention that causes them to believe that the transactions have not been approved by the Board;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor’s attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) nothing has come to the auditor’s attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of the transactions, nothing has come to the auditor’s attention that causes them to believe that the transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements and circular made by the Company in respect of the transactions.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2014 attributable to the Group’s major customers and suppliers are as follows:

Sales

The largest customer	58%
Five largest customers combined	98%

Purchases

The largest supplier	29%
Five largest suppliers combined	86%

Save as disclosed above, none of the directors, any of their associates or shareholders (which, to the knowledge of the directors owns, more than 5% of the Company’s share capital) had any beneficial interest in the Group’s five largest major customers or suppliers.

Directors' Report

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the auditor of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The Group's financial statements for the year ended 31 March 2014 together with the notes attached thereto were agreed by the Group's external auditor and were reviewed by the Audit Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules throughout the year ended 31 March 2014 and as at the date of this report.

SUBSEQUENT EVENTS

Share Consolidation

Following the passing of the ordinary resolution approving the Share Consolidation of every five (5) issued and unissued shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.05 each at the special general meeting held on 14 May 2014, the Share Consolidation became effective on 15 May 2014. Accordingly, the authorised share capital and the issued share capital of the Company were consolidated to HK\$780,000,000 divided into 15,600,000,000 shares of HK\$0.05 each and HK\$28,615,000 divided into 572,300,000 shares of HK\$0.05 each respectively. Details of the Share Consolidation were set out in the Company's announcements 28 March 2014, 25 April 2014 and 14 May 2014 and the circular dated 25 April 2014.

Open Offer

On 28 March 2014, the Company proposed the open offer on the basis of one (1) Offer Share for every two (2) then shares at a price of HK\$0.20 per Offer Share (or HK\$1.00 per Consolidated Share). Upon completion on 28 May 2014, an aggregate of 286,150,000 Offer Shares were issued and approximate HK\$284,000,000 net proceeds were raised. The net proceeds from the Open Offer will be applied (i) as to not more than HK\$264,000,000 for developing the Group's property investment business and (ii) as to the remaining for general working capital purposes. Details and results of the Open Offer were set out in the Company's announcements dated 28 March 2014, 23 April 2014 and 28 May 2014 and the prospectus dated 7 May 2014.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of directors during the year are as follows:

- (a) Ms. Chai Xiu was appointed as an executive director of the Company on 6 November 2013. She was also appointed as the Chairman and the Chief Executive Officer of the Group, an authorised representative, a member of Remuneration Committee and Nomination Committee on 29 November 2013. Ms. Chai was also appointed as a director of various subsidiaries of the Company.

Ms. Chai is a businesswoman with over 23 years of working experience primarily in the property and dairy product industries in the PRC. Since 2010, she has been the chief executive of Ground Investment Holding, where she is primarily in charge of the overall operation of its property development and management business in Jilin Province, the PRC. From 2005 to 2010, she served as the chief executive of Jilin Guangze Group Limited (吉林省廣澤集團有限公司) where she was responsible for the overall operation and management of the group, including dairy business and the real estate development and management business. From 2001 to 2005, she served as the general manager of Jilin Dairy Group Guangze Limited (吉林省乳業集團廣澤有限公司), where she was responsible for the overall operation and management of the company, including administration, product development, sales and after sales service. From 1996 to 2001, she served as general manager in Jilin Damin Property Development Company Limited (吉林省大民房地產開發有限責任公司), where she was in charge of its property development business in Jilin Province, the PRC. Ms. Chai obtained an EMBA degree from Cheung Kong Graduate School of Business in 2008.

Save for the interests in the shares of the Company owned by Ms. Chai as disclosed in the sections headed "DIRECTORS' INTERESTS IN SECURITIES" and "SUBSTANTIAL SHAREHOLDERS", as at the date of this report, Ms. Chai did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. She is appointed for a fixed term of three years effective from 6 November 2013 under the service agreement dated 5 November 2013 but shall be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. Ms. Chai is entitled to receive a monthly income of HK\$300,000. The remuneration for Ms. Chai as an executive director is determined with reference to her experience, duties, responsibilities, workload and time devoted to the Group and the prevailing market conditions.

Directors' Report

CHANGE OF DIRECTORS' INFORMATION (continued)

- (b) Mr. Chen Luhui was appointed as an executive director on 29 November 2013. He was also appointed as a director of various subsidiaries of the Company.

Mr. Chen has over 7 years of experience in corporate management, corporate finance, capital and financial management. He has been a director of Ground Real Estate since 2011 and an assistant to the chairman of Ground Investment Holding since 2010. Mr. Chen has also been a director of Innoform Strategic Capital Limited and the deputy chief executive officer of 吉林省長江股權投資基金管理有限公司 since 2011. He is also a director of Pangu Capital Limited, a company licensed by the Securities and Futures Commission under Type 9 activity, since November 2013. From July 2007 to 2009, he was the assistant to the chairman of Jingrui Properties (Group) Co., Ltd. (formerly known as Shanghai Jingrui Properties (Group) Co., Ltd.). Mr. Chen holds a Bachelor degree in Economics from Tsinghua University, the PRC.

As at the date of this report, Mr. Chen did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. He has not been appointed for a fixed term under the service agreement dated 29 November 2013 but shall be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. Mr. Chen is entitled to receive a monthly income of HK\$100,000. The remuneration for Mr. Chen as an executive director is determined with reference to his experience, duties, responsibilities, workload and time devoted to the Group and the prevailing market conditions.

- (c) Mr. Cong Hongsong was appointed as an executive director and as an alternate authorised representative to Ms. Chai on 29 November 2013. Mr. Cong was also appointed as a director of various subsidiaries of the Company.

Mr. Cong has over 21 years of experience in real estate industry, specialising in product positioning and planning, marketing planning and sales organisation management. Mr. Cong has made intensive study on different categories of real estates, such as large-scale suburban real estate, specialised-market real estate, community and commercial real estate, shopping mall, business hotel and resort and so on. He has been a vice president of Ground Real Estate since May 2011. Prior joining the group, Mr. Cong was the assistant general manager and vice president of 泰德(中國)商業地產公司 from 2008 to 2011 and a general manager of 浙江盾安置業有限公司 from 2003 to 2008. He had been an assistant general manager of 瀋陽銀基集團 from 2001 to 2003 and a sales director of 瀋陽建設投資公司 from 1998 to 2001. Mr. Cong had worked for 海南匯通集團 from 1993 to 1998, mainly participating in planning and design. Mr. Cong received a Bachelor of Architecture from Shenyang University, the PRC in 1993.

As at the date of this report, Mr. Cong did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. He has not been appointed for a fixed term under the service agreement dated 29 November 2013 but shall be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. Mr. Cong is entitled to receive a monthly income of HK\$50,000. The remuneration for Mr. Cong as an executive director is determined with reference to his experience, duties, responsibilities, workload and time devoted to the Group and the prevailing market conditions.

- (d) Mr. Ting Pang Wan, Raymond resigned as the Chairman of the Group, an authorised representative, a member of Nomination Committee and was re-designated from an executive director to a non-executive director on 29 November 2013.

Directors' Report

CHANGE OF DIRECTORS' INFORMATION (continued)

- (e) Mr. Chan Yuk Tong was appointed as an independent non-executive director, a member and the chairman of Audit Committee and Remuneration Committee and a member of Nomination Committee on 29 November 2013.

Mr. Chan has over 26 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. He is currently a director of Ascenda Cachet CPA Limited. Mr. Chan has been an independent non-executive director of each of Ausnutria Dairy Corporation Limited (Stock Code: 1717) since September 2009, Global Sweeteners Holdings Limited (Stock Code: 3889) since June 2008, Sinopoly Battery Limited (Stock Code: 729) since November 2006 and Kam Hing International Holdings Limited (Stock Code: 2307) since March 2004, companies listed on the Main Board of the Stock Exchange. He had also been an independent non-executive director of each of BYD Electronic (International) Company Limited (Stock Code: 285) from 2009 to 2013, Xinhua Winshare Publishing and Media Co., Ltd. (Stock Code: 811) from 2007 to 2013, Daisho Microline Holdings Limited (Stock Code: 567) from 2004 to 2013 and a non-executive director of Vitop Bioenergy Holdings Limited (Stock Code: 1178) from 2005 to 2011, companies listed on the Main Board of the Stock Exchange. Mr. Chan was an independent non-executive director of Anhui Conch Cement Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 914) and the Shanghai Stock Exchange (Stock Code: 600585) from 2006 to 2012. Mr. Chan holds a Bachelor degree in Commerce from the University of Newcastle, Australia and a Master degree in Business Administration from the Chinese University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

As at the date of this report, Mr. Chan did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. Under the letter of appointment dated 29 November 2013, Mr. Chan is appointed for an initial term commencing from 29 November 2013 to 31 March 2014 and thereafter a fixed term of one year from 1 April 2014 unless otherwise terminated earlier by and at the discretion of either party upon 3-months' written notice or such shorter period as both parties may agree, but shall be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. He is entitled to an annual director's fee of HK\$240,000. The remuneration for Mr. Chan as an independent non-executive director is determined with reference to his experience, duties, responsibilities, workload and time devoted to the Group and the prevailing market conditions.

- (f) Mr. Mei Jianping was appointed as an independent non-executive director, a member and the chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee on 29 November 2013.

Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business in Beijing, the PRC since 2006 and a fellow at Financial Institutions Center, the Wharton School of University of Pennsylvania, USA since 2004. From 2003 to 2008, he was a visiting professor of finance at Tsinghua University, the PRC. He was an assistant professor of finance from 1990 to 1995 and an associate professor from 1996 to 2005 at New York University, USA respectively. Mr. Mei has been a director of Cratings.com Inc. since 1999 and of Zhong De Securities Company Limited since 2009. He had also served as the chairman of board of Shanghai Zhangjiang JRtan.com Inc. from 2000 to 2012 and acted as a consultant for various financial institutions, such as Deutsche Bank, UBS, NCH Capital and Asia Development Bank. Mr. Mei has also been an independent non-executive director of Powerlong Real Estate Holdings Limited (Stock Code: 1238) since June 2008 and of MIE Holdings Corporation (Stock Code: 1555) since November 2010, both companies listed on the Main Board of the Stock Exchange. He has published a number of books and articles on topics related to finance. Mr. Mei received a Bachelor degree in Mathematics from Fudan University, the PRC in 1982, a Master degree in Economics and a Doctorate in Economics (Finance) from Princeton University, USA in 1988 and 1990 respectively.

As at the date of this report, Mr. Mei did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. Under the letter of appointment dated 29 November 2013, Mr. Mei is appointed for an initial term commencing from 29 November 2013 to 31 March 2014 and thereafter a fixed term of one year from 1 April 2014 unless otherwise terminated earlier by and at the discretion of either party upon 3-months' written notice or such shorter period as both parties may agree, but shall be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. He is entitled to an annual director's fee of HK\$240,000. The remuneration for Mr. Mei as an independent non-executive director is determined with reference to his experience, duties, responsibilities, workload and time devoted to the Group and the prevailing market conditions.

Directors' Report

CHANGE OF DIRECTORS' INFORMATION (continued)

- (g) Ms. Nie Meisheng was appointed as an independent non-executive director, a member of Audit Committee and Remuneration Committee on 29 November 2013.

Ms. Nie is a senior engineer of professor grade and has over 38 years of experience in civil engineering and construction technology. Ms. Nie has more than 19 years of experience working at the China Southwest Municipal Engineering Design Institute and was a member of the 12th China National Committee for Pacific Economic Cooperation since February 2013. She has served as the honorary chairwoman of China Real Estate Chamber of Commerce since 2013 and the vice chairwoman of the China Urban Water Supply and Drainage Association and the economic consultant to Jieyang City, Guangdong Province since 2006. Ms. Nie has also served as the chairwoman of the Estate Chamber of the China National Federation of Industry and Commerce since 2001 and of the Housing Industrialisation Office of the Ministry of Construction since 1998. She was a standing committee member of the China National Federation of Industry and Commerce from 2004 to 2008. She had been the general director of the Science & Technology Department of the PRC and the vice director of the Science and Technology Committee of the Ministry of Construction from 1995 to 2000. Ms. Nie has also been the independent non-executive director of Future Land Development Holdings Limited (Stock Code: 1030) since November 2012, Road King Infrastructure Limited (Stock Code: 1098) since October 2012 and Powerlong Real Estate Holdings Limited (Stock Code: 1238) since August 2009, companies listed on the Main Board of the Stock Exchange. Ms. Nie graduated from civil engineering department of Tsinghua University, the PRC, specialising in water supply and drainage.

As at the date of this report, Ms. Nie did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. Under the letter of appointment dated 29 November 2013, Ms. Nie is appointed for an initial term commencing from 29 November 2013 to 31 March 2014 and thereafter a fixed term of one year from 1 April 2014 unless otherwise terminated earlier by and at the discretion of either party upon 3-months' written notice or such shorter period as both parties may agree, but shall be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. She is entitled to an annual director's fee of HK\$240,000. The remuneration for Ms. Nie as an independent non-executive director is determined with reference to her experience, duties, responsibilities, workload and time devoted to the Group and the prevailing market conditions.

- (h) Mr. Sin Ka Man resigned as an independent non-executive director, a member and the chairman of Audit Committee and Remuneration Committee and a member of Nomination Committee on 29 November 2013.

- (i) Mr. Huang An Guo resigned as an independent non-executive director, a member and the chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee on 29 November 2013.
- (j) Ms. Wong Fei Tat resigned as an independent non-executive director, a member of Audit Committee and Remuneration Committee on 29 November 2013.
- (k) Mr. Ji Zuguang resigned as the Deputy Chief Executive Officer of the Group, a member of Remuneration Committee and ceased to be the alternate authorised representative to Mr. Ting on 29 November 2013. Mr. Ji resigned as an executive director on 7 March 2014.
- (l) Details of directors' emoluments for the year are set out in note 11 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 March 2014 were audited by Mazars CPA Limited who would retire at the conclusion of the forthcoming annual general meeting and being eligible, offer itself for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

There is no change in auditors of the Company since the first appointment on 1 June 2007.

On behalf of the Board

Chai Xiu

Chairman

Hong Kong, 18 June 2014

Corporate Governance Report

The Board recognises the importance of good corporate governance and is committed to maintaining a good governance standards within the Group. The Board has therefore adopted and continuously developed a set of internal guidelines, practices and policies on the corporate governance.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules during the year, except that under code provision A.2.1, the Chairman and Chief Executive Officer are not separate and are currently performed by the same individual, namely Ms. Chai Xiu. The reason for the deviation is explained in the section headed “CHAIRMAN AND CHIEF EXECUTIVE OFFICER” below. Details of the application and compliance are set out in the sections below.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules on 21 July 2009 as the Company’s code of conduct for dealings in securities of the Company by directors. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard as set out in the Model Code during the year.

THE BOARD

Composition

During the year and as at the date of this report, the Board comprised the following directors:

Executive Directors

Ms. CHAI Xiu, <i>Chairman and Chief Executive Officer</i>	<i>(appointed as director on 6 November 2013 and as Chairman and Chief Executive Officer on 29 November 2013)</i>
Mr. CHEN Luhui	<i>(appointed on 29 November 2013)</i>
Mr. CONG Hongsong	<i>(appointed on 29 November 2013)</i>
Mr. TING Pang Wan, <i>Raymond, Chairman</i>	<i>(resigned as Chairman and re-designated as non-executive director on 29 November 2013)</i>
Mr. JI Zuguang, <i>Deputy Chief Executive Officer</i>	<i>(resigned as Deputy Chief Executive Officer on 29 November 2013 and resigned as director on 7 March 2014)</i>

Non-executive Director

Mr. TING Pang Wan, Raymond

*(re-designated from executive director on
29 November 2013)***Independent Non-executive Directors**

Mr. CHAN Yuk Tong

(appointed on 29 November 2013)

Mr. MEI Jianping

(appointed on 29 November 2013)

Ms. NIE Meisheng

(appointed on 29 November 2013)

Mr. SIN Ka Man

(resigned on 29 November 2013)

Mr. HUANG An Guo

(resigned on 29 November 2013)

Ms. WONG Fei Tat

(resigned on 29 November 2013)

The biographical details of the current directors are set out on pages 14 to 17.

During the year, the Board at all times complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules for sufficient number and appropriate professional qualifications of independent non-executive directors. As at the date of this report, the Board comprised seven directors, three of whom were independent non-executive directors, representing more than one third of the Board which is in compliance with Rule 3.10A of the Listing Rules. One of the independent non-executive director possesses appropriate professional accounting qualifications and expertise.

During the year, the Board maintained a balanced composition of the executive directors, non-executive director and independent non-executive directors which generates a strong independent element to the Board. All directors shall be subject to retirement by rotation and re-election at the general meeting of the Company (in case of filling a casual vacancy) or at the annual general meeting of the Company (in case of an addition to the Board) following their appointment and at least once every three years in accordance with the Bye-laws. A list of Directors identifying their role and function is published on the Stock Exchange's website and the Company's website.

The Board has received from each of the independent non-executive directors a written annual confirmation as regards their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors were independent.

To the best knowledge of the directors, there was no relationship (including financial, business, family or other material relationship) among members of the Board.

Corporate Governance Report

THE BOARD (continued)

Responsibilities of the Board and Management

The Board is responsible for setting the strategic goals of the Company, providing leadership and guidance to the Group's activities and for oversight of the management of the Company and direction of its business strategies, with the ultimate aim to maximise the shareholder value and long-term success of the Company while the management is responsible for management and administrative functions on running the day-to-day operations of the Group within the authority delegated by the Board and properly informing the Board of the status of these operations. Matters specifically reserved for the consideration of Board mainly cover, among others, overall corporate strategies, major business plans and objectives and risk policy of the Group, annual and interim results, major acquisitions and disposals, major capital investments, material contracts and transactions, appointment of directors, other significant operational and financial matters as well as corporate governance matters. In addition, the Board has also established Board committees and has delegated to these committees various responsibilities set out in their respective terms of reference.

Continuous Professional Development

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure that their contributions to the Board remain informed and relevant. Every newly appointed director shall be given an induction package covering (inter alia) the Group's business, the statutory and regulatory obligations and duties of a director of a listed company. In addition, all directors are provided with monthly updates on the performance and position of the Group to enable the Board a whole and each director to discharge their duties. Furthermore, all directors are also continuously updated on the latest changes and development regarding the Listing Rules, corporate governance practices and other regulatory and statutory regime with reference materials from time to time in order to ensure compliance and raise their concern on good corporate governance.

During the year, all directors have participated in continuous professional development through reading materials regarding regulatory updates, director's duties and responsibilities and corporate governance matters and/or attending relevant seminars or courses given by external professional advisors. As at the date of this report, all directors have provided the Company with a training record they received during the year.

Directors' and Officers' Liabilities Insurance

The Company has arranged for appropriate liability insurance coverage for directors and officers of the Company in respect of potential legal actions against its directors or officers arising out of their duties. Such insurance coverage will be reviewed on an annual basis.

Board Meetings and Attendance

The Board held seventeen full Board meetings, four of which were the regular ones held at approximately quarterly intervals, during the year ended 31 March 2014. The attendance of each director is as follows:

	Number of meetings attended/ Eligible to attend
Ms. CHAI Xiu ^	7/7
Mr. CHEN Luhui ^^	5/5
Mr. CONG Hongsong ^^	5/5
Mr. TING Pang Wan, Raymond	7/17
Mr. CHAN Yuk Tong ^^	5/5
Mr. MEI Jianping ^^	5/5
Ms. NIE Meisheng ^^	4/5
Mr. JI Zuguang #	13/13
Mr. SIN Ka Man ##	12/12
Mr. HUANG An Guo ##	12/12
Ms. WONG Fei Tat ##	12/12

^ appointed on 6 November 2013

^^ appointed on 29 November 2013

resigned on 7 March 2014

resigned on 29 November 2013

There were twenty-seven additional Board meetings held and attended by certain executive directors for normal course of business and/or for matters under the authorisation by the full Board during the year. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All businesses transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are taken by the company secretary and are available to all directors.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Following the resignation of Mr. Ting Pang Wan, Raymond as Chairman and Mr. Ji Zuguang as Deputy Chief Executive Officer on 29 November 2013, Ms. Chai Xiu was appointed to perform the roles of Chairman and Chief Executive Officer on 29 November 2013. Ms. Chai is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group. The Board believes that the roles of Chairman and Chief Executive Officer performed by the same individual provide the Group with strong and consistent leadership and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board also believes that the balance of power and authority is adequately ensured by the effective Board which comprises experienced individuals with a balance of skills and experience appropriate for the requirements of the Group. However, the respective roles and responsibilities of Chairman and Chief Executive Officer have been defined and set out in writing.

NON-EXECUTIVE DIRECTORS

As at the date of this report, there were four non-executive directors, three of whom were independent. Following the re-designation of Mr. Ting Pang Wan, Raymond from an executive director to non-executive director and the resignation of Mr. Sin Ka Man, Mr. Huang An Guo and Ms. Wong Fei Tat as independent non-executive directors on 29 November 2013, all the existing non-executive directors were appointed for an initial term commencing from 29 November 2013 to 31 March 2014 and thereafter a fixed term of one year from 1 April 2014 and shall be subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws.

BOARD COMMITTEES

The Board has established three Board committees, including Remuneration Committee, Nomination Committee and Audit Committee to help with the discharge of its responsibilities.

Remuneration Committee

The Board has established a Remuneration Committee since June 2000. As at the date of this report, the Remuneration Committee comprised all the independent non-executive directors, namely Mr. Chan Yuk Tong, Mr. Mei Jianping and Ms. Nie Meisheng, and an executive director, namely Ms. Chai Xiu, as members. Mr. Chan Yuk Tong is the chairman of the Remuneration Committee.

The main duties of the Remuneration Committee are to formulate and review the Company's policy and structure for the remuneration of all directors and senior management, to determine or make recommendation on the remuneration packages for individual executive directors and senior management, to make recommendations on the remuneration of non-executive directors and to administer and oversee the Company's share option schemes. No director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

The Board has adopted a remuneration policy for directors and senior management to provide guidelines for structuring all remuneration of directors and senior management. The remuneration policy is reviewed annually by the Board and the Remuneration Committee. The policy sets out, among others, the remuneration structure which mainly covers director's fee, basic salary, discretionary bonus, other benefits in kind, pension scheme, share option schemes and termination payments, and determination or review of remuneration packages. The directors' and senior management's remuneration packages are determined, or reviewed annually, taking into consideration the criteria such as experience, responsibilities, workload, time commitment, individual's and the Company's performance as well as the prevailing market conditions. Details of directors' and senior management's emoluments for the year ended 31 March 2014 are disclosed in note 11 to the consolidated financial statements.

The Remuneration Committee held three meetings during the year ended 31 March 2014. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong (<i>Chairman</i>) ^^	0/0
Mr. MEI Jianping ^^	0/0
Ms. NIE Meisheng ^^	0/0
Ms. CHAI Xiu ^^	0/0
Mr. SIN Ka Man ##	3/3
Mr. HUANG An Guo ##	3/3
Ms. WONG Fei Tat ##	3/3
Mr. JI Zuguang ##	3/3

^^ appointed on 29 November 2013

resigned on 29 November 2013

Corporate Governance Report

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The work performed by the Remuneration Committee during the year is summarised as follows:

- (a) To review the remuneration policy and structure of all directors and senior management;
- (b) To review the terms of reference;
- (c) To review or consider the remuneration packages of all directors and senior management and to make recommendations thereof;
- (d) To review the renewal of term of appointment of all independent non-executive directors;
- (e) To administer and oversee the share options granted under the share option schemes of the Company; and
- (f) To consider the adoption of new share option scheme of the Company.

Nomination Committee

The Board has established a Nomination Committee since 20 July 2005. As at the date of this report, the Nomination Committee comprised two independent non-executive directors, namely Mr. Mei Jianping and Mr. Chan Yuk Tong, and an executive director, namely Ms. Chan Xiu, as members. Mr. Mei Jianping is the chairman of the Nomination Committee.

The main duties of the Nomination Committee are to formulate, review and implement nomination policy for directors, to review the structure, size and composition of the Board, to identify individuals suitably qualified to become Board members, to receive nominations from shareholders or directors, to assess the independence of the independent non-executive directors and to undertake an annual performance evaluation of the Board. The terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

The Board adopted a nomination policy for directors to provide guidelines for effective functioning in the course of director's nomination process. The policy sets out, among others, the selection procedures and evaluation criteria for selecting and recommending the candidates for directorship. The Committee will first assess the needs of the Board in respect of its structure, size and composition, identify potential candidates by considering their personal ethics, integrity, skills, professional knowledge and experience and time commitment and so on and then develop a short list of potential appointees for recommendation to the Board.

The Nomination Committee held four meetings during the year ended 31 March 2014. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. MEI Jianping (<i>Chairman</i>) ^^	1/1
Mr. CHAN Yuk Tong ^^	1/1
Ms. CHAI Xiu ^^	1/1
Mr. HUANG An Guo ##	3/3
Mr. SIN Ka Man ##	3/3
Mr. TING Pang Wan, Raymond ##	3/3

^^ appointed on 29 November 2013

resigned on 29 November 2013

The work performed by the Nomination Committee during the year is summarised as follows:

- (a) To nominate the incumbent directors for re-election;
- (b) To review the nomination policy for directors;
- (c) To review the terms of reference;
- (d) To review the structure, size and composition of the Board;
- (e) To assess the independence of the independent non-executive directors;
- (f) To evaluate the performance of the Board during the year;
- (g) To recommend the appointment of new directors in place of the resigning director; and
- (h) To approve and recommend the change of membership of the committee.

Corporate Governance Report

BOARD COMMITTEES (continued)

Audit Committee

The Board has established an Audit Committee since 26 September 1996. The Board at all times complied with the requirement of Rule 3.21 of the Listing Rules for minimum number of three non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications. As at the date of this report, the Audit Committee comprised all the independent non-executive directors, namely Mr. Chan Yuk Tong, Mr. Mei Jianping and Ms. Nie Meisheng, as members. One of the three Committee members possesses appropriate professional accounting qualifications and expertise. Mr. Chan Yuk Tong is the chairman of the Audit Committee.

The main duties of Audit Committee are to review and monitor the financial reporting, to oversee and review the Company's financial reporting system, internal control procedures, risk management systems and the Group's financial and accounting policies and practices with the management and the auditor and to consider the appointment and resignation of the auditor and the auditor's remuneration. The terms of reference of the Audit Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

The Audit Committee held two meetings during the year ended 31 March 2014. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong (<i>Chairman</i>) ^^	0/0
Mr. MEI Jianping ^^	0/0
Ms. NIE Meisheng ^^	0/0
Mr. SIN Ka Man ##	2/2
Mr. HUANG An Guo ##	2/2
Ms. WONG Fei Tat ##	2/2

^^ appointed on 29 November 2013

resigned on 29 November 2013

The work performed by the Audit Committee during the year is summarised as follows:

- (a) To review the annual results for year ended 31 March 2013 and the interim results for six months ended 30 September 2013 and the reports from external auditor, management representation letters and management's response in relation thereto;
- (b) To review the accounting policies and practices as well as the financial reporting system of the Group;
- (c) To review the terms of reference;
- (d) To review the connected transactions/continuing connected transactions incurred during the year ended 31 March 2013 and six months ended 30 September 2013;
- (e) To review the practice and procedures relating to related party transactions;
- (f) To recommend and/or approve re-appointment of the external auditor and its remuneration; and
- (g) To review the effectiveness of internal control system of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following main corporate governance functions set out under the written responsibilities of the Board revised on 27 March 2012:

- (a) To develop and review the Company's terms of reference, policies, practices, codes and guidelines on corporate governance and to make recommendations thereof;
- (b) To review and monitor the training and continuous professional development of directors and senior management;
- (c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct applicable to employees and directors; and
- (e) To review the Company's compliance with the code and disclosure in the corporate governance report.

During the year and up to the date of the report, the Board has reviewed and performed the said corporate governance functions.

Corporate Governance Report

AUDITOR'S REMUNERATION

The external auditor of the Company is Mazars CPA Limited. For the year ended 31 March 2014, the auditor's remuneration paid and payable in respect of the audit services and other non-audit services, including tax and consultancy services, provided by the auditor to the Group amounted to HK\$580,000 and HK\$1,120,000 respectively.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

The directors of the Company are responsible for monitoring the preparation of consolidated financial statements of the Group which give a true and fair view, and were prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and were published in a timely manner. The directors of the Company are also responsible for selecting appropriate accounting policies and have applied them consistently, ensuring timely adoption of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company acknowledge their responsibility for preparing the consolidated financial statement of the Group and report that the Company has announced its annual and interim results in a timely manner after the end of the relevant period as laid down in the Listing Rules.

The statement of the auditor of the Company about its reporting responsibilities is set out in the "Independent Auditor's Report" on pages 61 and 62 to this annual report.

GOING CONCERN

The directors, after taking appropriate measures and enquiries, consider that the Group has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal control and reviewing its effectiveness. The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and management, rather than elimination of risks associated with its business activities.

During the year, the Board and the Audit Committee have conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets. Based on the results of the review, the system was satisfactory with no major irregularities reported and the Group would take steps to further enhance the effectiveness of the internal control system.

COMPANY SECRETARY

Ms. Lung Yuet Kwan was appointed as company secretary of the Company to replace Ms. Chan Siu Mei on 1 November 2013. Ms. Lung is a full-time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters. She reports to the Chairman and the Chief Executive Officer directly and assists the Board in ensuring effective information flow among the Board members and that the Board policy and procedures are followed. The company secretary of the Company had duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

The Company has adopted written shareholders' rights since March 2012 setting out the procedures for shareholders to serve the following purposes:

Procedures for Convening Special General Meetings

Pursuant to the bye-law 57 of the Bye-laws, shareholders at the date of the deposit of the requisition holding 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 time have right, by written requisition to be sent to the Company's principal place of business at Rooms 3505-3506, 35th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong (the "Principal Place of Business") for the attention to the Board or the company secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, and must be signed by the requisitionists, and may consist of several documents in like form each signed by one or more requisitionists.

The written requisition will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the company secretary will ask the Board to convene the general meeting by serving sufficient notice to all shareholders.

Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days after such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three (3) months from the said date.

A meeting convened by the requisitionists shall be convened in the same manner as that in which meetings are to be convened by the directors.

Procedures for Putting Forward Proposals

Pursuant to section 79 of the Companies Act 1981 of Bermuda, shareholders at the date of the deposit of the requisition (i) holding not less than one-twentieth of the total voting rights of all shareholders having a right to vote at the meeting to which the requisition relates or (ii) being not less than one hundred (100) shareholders, shall have right to require the proposals to put forward in any general meeting by written requisition to be sent to the Principal Place of Business for the attention to the Board or the company secretary:

- (i) in case of a requisition requiring notice of a resolution, not less than six (6) weeks before the meeting; and
- (ii) in case of any other requisition, not less than one (1) week before the meeting,

together with a sum of money reasonably sufficient to meet the Company's expenses to effect thereto.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand (1,000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting and must be signed by the requisitionists, and may consist of several documents in like form.

The written requisition will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company shall

- (i) give to all shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the meeting; or
- (ii) circulate to all shareholders entitled to have notice of any general meeting sent to them the said statement.

Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns, together with their contact information, to the Board by addressing them to the company secretary at the Principal Place of Business. The company secretary will forward such enquiries or concerns to the appropriate Board members or Board committees for following up.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (continued)

Procedures for Election of Directors by Shareholders

Pursuant to bye-law 87 of the Bye-laws, if a shareholder wishes to nominate a person other than a retiring director for election as a director at any general meeting of the Company, the following documents shall be lodged at the Principal Place of Business for the attention of the company secretary not less than seven (7) days before the date appointed for the meeting:

- (a) a notice in writing of the intention to propose a resolution for electing a person at the general meeting, including the name and contact details of, and the number of shares in the Company held by the nominating shareholder; and
- (b) a notice in writing signed by the person of his/her willingness to be elected together with information as required to be disclosed under Rule 13.51(2) of the Listing Rules and his/her written consent to the publication of his/her personal data.

The period for lodgment of the aforesaid notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The procedures for election of directors by shareholders are available on the Company's website.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining an effective communication with the shareholders and investors of the Company. A shareholders' communication policy was adopted by the Board on 27 March 2013 to ensure the promotion of effective communication. The principal communication channels with shareholders and investors were established as set out below.

General Meetings

Shareholders' meeting, including annual general meeting or other general meeting, of the Company provides a communication channel between the shareholders and the Board that the shareholders are encouraged to participate in such meeting for expressing their views and raising enquiries about the Company's performance while the Board members who attended such general meeting shall reply and answer the enquiries and questions raised by the shareholders.

During the year, there was an annual general meeting held on 30 August 2013 and two general meetings held on 18 October 2013 and 23 January 2014 respectively. The attendance of each director is set out as follows:

	Number of meetings attended/ Eligible to attend
Ms. CHAI Xiu ^	1/1
Mr. CHEN Luhui ^^	1/1
Mr. CONG Hongsong ^^	0/1
Mr. TING Pang Wan, Raymond	1/3
Mr. CHAN Yuk Tong ^^	1/1
Mr. MEI Jianping ^^	0/1
Ms. NIE Meisheng ^^	0/1
Mr. JI Zuguang #	3/3
Mr. SIN Ka Man ##	0/2
Mr. HUANG An Guo ##	1/2
Ms. WONG Fei Tat ##	2/2

^ appointed on 6 November 2013

^^ appointed on 29 November 2013

resigned on 7 March 2014

resigned on 29 November 2013

Any vote of shareholders at a general meeting is taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll results are published on the Stock Exchange's website and the Company's website after the conclusion of the general meeting.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (continued)

Other Communication Channels

The Company will provide corporate communications, including annual and interim reports, notices of meeting and circulars, to shareholders in printed form by post to facilitate the shareholders' understanding.

The Company also maintains a website at www.groundproperties.com, as other communication channel for the shareholders and investors, for posting the corporate communications, disseminating information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information as well as other corporate communications in a timely and convenient manner.

For enquiries about shareholdings, the shareholders may contact the share registrars of the Company and for other enquiries, the shareholders, the investors, media or the public may contact the Company directly, contact details of which are posted on the Company's website.

CONSTITUTIONAL DOCUMENTS

The Memorandum of Association and the Bye-laws of the Company are available on the website of the Stock Exchange and the website of the Company. There have been no changes in the Memorandum of Association and the Bye-laws of the Company since the adoption in September 2012.

By order of the Board

CHAI Xiu

Chairman

Hong Kong, 18 June 2014

Independent Auditor's Report



MAZARS CPA LIMITED

瑪澤會計師事務所有限公司

42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 18 號中環廣場 42 樓

To the shareholders of
Ground Properties Company Limited
(formerly known as China Motion Telecom International Limited)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ground Properties Company Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 63 to 143, which comprise the consolidated and the Company’s statements of financial position as at 31 March 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 18 June 2014

Chan Chi Ming Andy

Practising Certificate number: P05132

Consolidated Income Statement

Year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000 (Restated)
Continuing operations			
Turnover	6	56,211	63,663
Cost of sales and services		(16,797)	(28,562)
Gross profit		39,414	35,101
Other revenue	6	4,236	3,748
Other net income	7	13,809	4
Distribution costs		(1,036)	(85)
Administrative expenses		(65,954)	(44,395)
Impairment of goodwill		–	(29,117)
Change in fair value of investment properties		11,000	79,000
Finance costs	9	(3,747)	–
Share of results of associates	20	(1,081)	–
(Loss) Profit before taxation	10	(3,359)	44,256
Taxation	12	(497)	(1,847)
(Loss) Profit for the year from continuing operations		(3,856)	42,409
Discontinued operations			
Profit for the year from discontinued operations	13	–	40,817
(Loss) Profit for the year		(3,856)	83,226

Consolidated Income Statement

Year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000 (Restated)
(Loss) Profit attributable to:			
Shareholders of the Company			
– continuing operations		(3,850)	42,342
– discontinued operations		–	40,876
		<u>(3,850)</u>	<u>83,218</u>
Non-controlling interests			
– continuing operations		(6)	67
– discontinued operations		–	(59)
		<u>(6)</u>	<u>8</u>
		<u>(3,856)</u>	<u>83,226</u>
(Loss) Earnings per share			
From continuing and discontinued operations			
– Basic and diluted	15	<u>(0.68) HK cents</u>	<u>14.75 HK cents</u>
From continuing operations			
– Basic and diluted		<u>(0.68) HK cents</u>	<u>7.50 HK cents</u>
From discontinued operations			
– Basic and diluted		<u>N/A</u>	<u>7.25 HK cents</u>

Details of dividend for the year are disclosed in note 30 to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2014

	2014 HK\$'000	2013 HK\$'000
(Loss) Profit for the year	(3,856)	83,226
Other comprehensive (loss) income:		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange difference on consolidation	(50)	413
Reclassification adjustment relating to disposal of subsidiaries	(5,011)	–
Total other comprehensive (loss) income	(5,061)	413
Total comprehensive (loss) income for the year	(8,917)	83,639
Total comprehensive (loss) income attributable to:		
Shareholders of the Company		
– continuing operations	(8,911)	42,755
– discontinued operations	–	40,876
	(8,911)	83,631
Non-controlling interests		
– continuing operations	(6)	67
– discontinued operations	–	(59)
	(6)	8
	(8,917)	83,639

Statements of Financial Position

As at 31 March 2014

	Note	Group		Company	
		31 March 2014 HK\$'000	31 March 2013 HK\$'000	31 March 2014 HK\$'000	31 March 2013 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment properties	16	315,000	304,000	–	–
Property, plant and equipment	17	2,547	1,419	–	–
Goodwill	18	–	–	–	–
Interests in subsidiaries	19	–	–	730,467	382,550
Interests in associates	20	383,919	–	–	–
Other non-current assets	21	–	3,130	–	–
		701,466	308,549	730,467	382,550
Current assets					
Inventories	22	1,580	2,435	–	–
Trade and other receivables	23	11,514	51,682	176	118
Bank balances and cash	24	38,860	102,099	2,271	60,193
		51,954	156,216	2,447	60,311
Current liabilities					
Trade and other payables	25	17,488	14,805	3,901	1,824
Interest-bearing borrowings	26	145,000	–	145,000	–
Taxation		58	49	–	–
		162,546	14,854	148,901	1,824
Net current (liabilities) assets		(110,592)	141,362	(146,454)	58,487
Total assets less current liabilities		590,874	449,911	584,013	441,037
Non-current liabilities					
Interest-bearing borrowings	26	150,000	–	150,000	–
Deferred tax liabilities	27	5,099	4,780	–	–
		155,099	4,780	150,000	–
NET ASSETS		435,775	445,131	434,013	441,037

	Note	Group		Company	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
CAPITAL AND RESERVES					
Issued capital	28	28,532	28,205	28,532	28,205
Reserves	30	407,385	410,992	405,481	412,832
Total capital and reserves attributable to shareholders of the Company		435,917	439,197	434,013	441,037
Non-controlling interests		(142)	5,934	–	–
TOTAL EQUITY		435,775	445,131	434,013	441,037

Approved and authorised for issue by the Board of Directors on 18 June 2014

CHAI Xiu
Director

CHEN Luhui
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

	Reserves attributable to shareholders of the Company											Non-controlling interests	Total equity
	Issued capital	Share premium	Reserves on consolidation	Properties revaluation reserve	Exchange reserve	Capital redemption reserve	Enterprise expansion reserve	Contributed surplus	Share option reserve	Accumulated (losses) profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	28,205	35,383	4,900	9,845	8,537	450	65,434	210,587	4,986	(12,761)	327,361	5,963	361,529
Profit for the year	-	-	-	-	-	-	-	-	-	83,218	83,218	8	83,226
Other comprehensive income:													
Exchange difference on consolidation	-	-	-	-	413	-	-	-	-	-	413	-	413
Total other comprehensive income	-	-	-	-	413	-	-	-	-	-	413	-	413
Total comprehensive income for the year	-	-	-	-	413	-	-	-	-	83,218	83,631	8	83,639
Disposal of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	(37)	(37)
Disposal of investment property	-	-	-	(551)	-	-	-	-	-	551	-	-	-
	-	-	-	(551)	-	-	-	-	-	551	-	(37)	(37)
At 31 March 2013 and at 1 April 2013	28,205	35,383	4,900	9,294	8,950	450	65,434	210,587	4,986	71,008	410,992	5,934	445,131
Loss for the year	-	-	-	-	-	-	-	-	-	(3,850)	(3,850)	(6)	(3,856)
Other comprehensive loss:													
Exchange difference on consolidation	-	-	-	-	(50)	-	-	-	-	-	(50)	-	(50)
Disposal of subsidiaries	-	-	-	-	(5,011)	-	-	-	-	-	(5,011)	-	(5,011)
Total other comprehensive loss	-	-	-	-	(5,061)	-	-	-	-	-	(5,061)	-	(5,061)
Total comprehensive loss for the year	-	-	-	-	(5,061)	-	-	-	-	(3,850)	(8,911)	(6)	(8,917)
Disposal of subsidiaries	-	-	-	-	-	-	(65,434)	-	-	65,434	-	(6,070)	(6,070)
Transactions with owners:													
<i>Contributions and distributions</i>													
Shares issued under share option scheme	327	7,864	-	-	-	-	-	-	(2,560)	-	5,304	-	5,631
Lapse of share option	-	-	-	-	-	-	-	-	(1,752)	1,752	-	-	-
	327	7,864	-	-	-	-	-	-	(4,312)	1,752	5,304	-	5,631
At 31 March 2014	28,532	43,247	4,900	9,294	3,889	450	-	210,587	674	134,344	407,385	(142)	435,775

Consolidated Statement of Cash Flows

Year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES			
Cash generated from (used in) operations	31	17,609	(2,848)
Interest received		2,632	957
Interest paid		(2,779)	–
Income tax paid		(169)	(850)
Net cash from (used in) operating activities		17,293	(2,741)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		346	–
Net proceeds from disposal of subsidiaries	33	5,309	–
Proceeds from disposal of club membership		340	–
Net proceeds from disposal of investment property		–	2,717
Net proceeds from disposal of discontinued operations	33	–	839
Purchase of property, plant and equipment		(2,158)	(1,400)
Acquisition of interests in a subsidiary and other assets	32	(300,000)	–
Net cash (used in) from investing activities		(296,163)	2,156
FINANCING ACTIVITIES			
New bank loan raised		210,000	–
Issue of share capital arising from the exercise of share options		5,631	–
Net cash from financing activities		215,631	–
Net decrease in cash and cash equivalents		(63,239)	(585)
Cash and cash equivalents at beginning of year		102,099	102,684
Cash and cash equivalents at end of year, represented by bank balances and cash		38,860	102,099

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

1. GENERAL INFORMATION

Ground Properties Company Limited (the “Company”) is a limited liability company incorporated in Bermuda and the shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited. With effect from 27 January 2014, the name of the Company was changed from China Motion Telecom International Limited to Ground Properties Company Limited. The Company is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in provision of telecommunications retail sales and management services, property investment and property development and management, including planning, design, budgeting, licensing, contract tendering and contract administration. The Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. During the year, the immediate holding company of the Company has been changed from Marvel Bonus Holdings Limited to Charm Success Group Limited which is incorporated in the British Virgin Islands, and is the ultimate holding company of the Company in the opinion of directors.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Adoption of new/revised HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for the Group’s accounting period beginning on 1 April 2013:

Amendments to HKAS 1 (Revised)	<i>Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
Amendments to HKFRS 13	<i>Annual Improvements to 2012 Cycle – Fair Value Measurements</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i>
Amendments to HKFRS 7	<i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i>

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s results and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendment to HKAS 1 (Revised): Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Further, these amendments change the title for “income statement” to “statement of profit or loss” and “statement of comprehensive income” to “statement of profit or loss and other comprehensive income”. However, HKAS 1 (Revised) retains the option to use titles for the statement other than those used in HKAS 1 (Revised). The Group continues to use “income statement” and “statement of comprehensive income”.

HKFRS 12: Disclosure of interest in other entities

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards. The application of HKFRS 12 has resulted in more extensive disclosures as set out in notes 19 and 20 to the consolidated financial statements.

HKFRS 13: Fair value measurement

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the transitional provisions, the standard has been applied prospectively. Apart from the additional disclosures about fair value measurements for the current year set out in note 35 to the consolidated financial statements, the application of the new standard does not have any material impact on the amounts recognised.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Impact of new/revised HKFRSs not yet effective

The Group has not early adopted the following new/revised standards, amendments to standards and interpretations, which are applicable to the Group and have been issued but are not yet effective for the financial year beginning on 1 April 2013.

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	<i>Investment Entities (Note a)</i>
Amendments to HKAS 32	<i>Presentation – Offsetting Financial Assets and Financial Liabilities (Note a)</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets (Note a)</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting (Note a)</i>
HK(IFRIC) – Int 21	<i>Levies (Note a)</i>
Amendments to HKAS 19 (2011)	<i>Defined Benefit Plans – Employee Contributions (Note b)</i>
Various HKFRSs	<i>Annual Improvements Project – 2010-2012 Cycle (Note c)</i>
Various HKFRSs	<i>Annual Improvements Project – 2011-2013 Cycle (Note c)</i>
HKFRS 14	<i>Regulatory Deferral Accounts (Note d)</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations (Note d)</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation (Note d)</i>
HKFRS 9	<i>Financial Instruments (Note e)</i>
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	<i>Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39) (Note e)</i>

Notes:

- Effective for annual periods beginning on or after 1 January 2014
- Effective for annual periods beginning on or after 1 July 2014
- Effective for annual periods beginning on or after 1 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014
- Effective for annual periods beginning on or after 1 January 2016
- No mandatory effective date determined but is available for adoption

The directors do not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the results of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs, which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by 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 provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 consolidated financial statements except for the adoption of the new/revised HKFRSs as set out in note 2 to the consolidated financial statements that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets by HK\$110,592,000 at the end of the reporting period.

In order to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have been actively seeking new sources of funding on both equity and debt financing to cover the temporary operating deficit. Subsequent to the end of the reporting period, the Company had successfully obtained additional cash of approximately HK\$284,000,000 from the open offer as announced on 28 March 2014.

In the opinion of the directors, in light of the measures taken to date, together with expected results of other measures in progress, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a financially viable going concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group’s financial and liquidity position at 31 March 2014.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, which are measured at fair value as explained in the accounting policies set out below.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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 owners of the parent, in the consolidated income statement 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 event of liquidation, are measured initially either at fair value or at the present ownership interest's 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.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent 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 owners of the parent.

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 parent 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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.

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, at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

Furniture, fixtures and office equipment	20% – 33%
Telecommunications equipment	20%
Leasehold improvements	Over the unexpired term of leases
Motor vehicles	30%

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 sale proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are land and/or building that are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carry at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

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, 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.

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 associate, 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 interest 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 or a joint venture 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 or joint venture.

Goodwill on acquisition of subsidiary is recognised as a separate asset and 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. Goodwill on acquisitions of associates or joint ventures is included in the carrying amount of the interests in associates or joint ventures.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

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 or a joint venture, 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 operations

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 coordinated 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.

Other non-current assets

Club debentures represent intangible assets with indefinite useful lives and are stated at cost less accumulated impairment losses.

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 has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfer nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

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.

1) Loans and receivables

Loans and receivables including bank balances and cash and trade and other 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 period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2) Financial liabilities

The Group's financial liabilities include trade and other payables and interest-bearing borrowings. All financial liabilities are recognised initially at their fair value and are subsequently measured at amortised cost, using 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 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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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:

- (i) Revenue from the sale of telecommunications equipment and products is recognised on the transfer of ownership, which generally coincides with the time of delivery.
- (ii) Commission income is recognised in accordance with the terms of agency agreements which is generally when the agency services are rendered.
- (iii) Telecommunications retail sales and management services income is recognised when the services are rendered.
- (iv) Rental income is recognised on a straight-line basis over the period of the respective leases.
- (v) Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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 ("HK\$"), which is the Company's functional 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.

The results and financial position of all the group 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 are translated at the closing rate at the date of that end of the reporting period.
- Income and expenses for each income statement are translated at the average exchange rates for the year.
- 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.

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.

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and other non-current assets 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. a cash-generating unit).

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets, other than goodwill (continued)

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 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 income in profit or loss immediately.

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.

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.

Rental receivables under operating leases are credited to profit or loss on a straight-line basis over the term of the relevant lease.

Rental payables 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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on the percentage of the employees’ basic salaries. Contributions are recognised as an expense in profit or loss as they incurred. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group’s subsidiaries in the People’s Republic of China (the “PRC”) are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

Long service payments

The Group’s net obligation in respect of long service payments is the amounts of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducing the fair value of any related assets, including those retirement scheme benefits.

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 binomial 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”).

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year(s) 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.

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 option reserve will be transferred to accumulated profits.

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 an 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 liabilities and assets 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.

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 or of the parent 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).

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties (continued)

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.

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 makers. The Company's executive directors, who are responsible for allocating resources to, and assessing the performance of, the Group's various lines of business, have been identified as the chief operating decision makers.

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 of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Information about investment holdings and other business activities that are not reportable are combined and disclosed in an "Others" category.

4. 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.

Fair value measurement

The Group's investment properties were valued at 31 March 2014 by Savills Valuation and Professional Services Limited, an independent valuer, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. Management has reviewed the valuation assumptions and valuation results performed by the independent valuer when the valuation is performed.

On acquisition of the investment in the 35% effective interests of Jilin Ground Tourism Investment Co., Ltd and its subsidiaries ("Jilin Ground Group"), the Group estimated the Jilin Ground Group's net fair value of the identifiable assets and liabilities by adjusting the Group's shares of revaluation surplus from revaluation of the land use rights held by Jilin Ground Group by reference to the valuation performed by Savills Valuation and Professional Services Limited and its exposure on deferred taxation.

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 and ageing analysis of the accounts 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 receivables after provision for impairment amounted to HK\$5,153,000 (2013: HK\$8,877,000).

Impairment of investments and receivables

The Group assesses annually if investment in subsidiaries and associates has 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.

Impairment of goodwill

The Group determines whether goodwill on investment in subsidiaries is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units ("CGU") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Management

The Group's major financial instruments include trade and other receivables, trade and other payables, bank balances and cash and interest-bearing borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong and the PRC and majority of transactions are denominated in HK\$ and Renminbi ("RMB"). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group has no significant direct exposure to foreign exchange risk as substantial transactions and assets and liabilities of the Group's entities are denominated in a currency same as their functional currency. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank deposits and interest bearing borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At the end of the reporting period, if interest rates had been 200 basis point higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by HK\$3,423,000.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for all financial instruments in existence during the year. The 200 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. Sensitivity analysis was not presented for the year ended 31 March 2013 as the Group had no interest-bearing borrowing at the end of the reporting period and the risk was not considered significant.

Credit risk

As at 31 March 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to trade and other receivables. At the end of the reporting period, the Group has concentration of credit risk as the trade receivables from the five largest customers represented 100% (2013: 99%) of the total trade receivables, while 97% (2013: 92%) of the total trade receivables were due from the largest single customer.

In order to minimise the credit risk, the management has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Company's credit risk is primarily attributable to amounts due from subsidiaries. At the end of the reporting period, the Company is exposed to concentration of credit risk where 53% (2013: 97%) of amounts due from subsidiaries is originated from one subsidiary.

Liquidity risk

The Group manages liquidity risk by maintaining adequate bank deposits and cash, funding through both equity and debt financing, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Management (continued)

Liquidity risk (continued)

The liquidity risk is under continuous monitoring by management. Management monitors the utilisation of borrowings. At the end of the reporting period, the Board of Directors expected that the Group had no significant liquidity risk in the near future. Details of the preparation of financial statements on a going concern basis are set out in note 3 to the consolidated financial statements.

The maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	Within 1 year or on demand HK\$'000	More than 1 year but within 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
The Group				
At 31 March 2014				
Trade and other payables	17,488	–	–	17,488
Interest-bearing borrowings	152,665	4,815	160,826	318,306
	<u>170,153</u>	<u>4,815</u>	<u>160,826</u>	<u>335,794</u>
At 31 March 2013				
Trade and other payables	14,805	–	–	14,805
	<u>14,805</u>	<u>–</u>	<u>–</u>	<u>14,805</u>

	Within 1 year or on demand HK\$'000	More than 1 year but within 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
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The Company

At 31 March 2014

Trade and other payables	3,901	–	–	3,901
Interest-bearing borrowings	152,665	4,815	160,826	318,306
	<u>156,566</u>	<u>4,815</u>	<u>160,826</u>	<u>322,207</u>

At 31 March 2013

Trade and other payables	1,824	–	–	1,824
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The amounts repayable under a loan agreement that includes a clause that gives the lender the unconditional right to call the loan at any time are classified under the “on demand” bracket. In this regard, interest-bearing borrowings with principal amounts of HK\$60,000,000 (2013: Nil) as at the end of the financial period have been so classified even though the directors do not expect that the lender would exercise its rights to demand repayment and thus the principal amounts of these borrowings would be repaid according to the following schedule as set out in the loan agreements:

	Group and Company	
	2014 HK\$'000	2013 HK\$'000
Interest-bearing borrowings		
Within 1 year or on demand	85,000	–
1-2 years	32,000	–
2-5 years	178,000	–
	<u>295,000</u>	<u>–</u>

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The directors of the Company review the capital structure on an annual basis and adjustments will be made to the capital structure as necessary in response to changes in economic conditions.

The capital structure of the Group consists of equity attributable to shareholders of the Company, comprising issued capital and reserves as disclosed in the consolidated statement of changes in equity.

During the year ended 31 March 2014, the Group aims at maintaining the net debt to equity ratio of not more than 80%. The net debt to equity ratio as at 31 March 2014 is as follows:

	2014 HK\$'000
Total debt (<i>Note a</i>)	295,000
Less: Bank balances and cash	(38,860)
Net debt	256,140
Equity (<i>Note b</i>)	435,917
Net debt to equity ratio	58.76%

Notes:

- (a) Total debt comprises current and non-current interest-bearing borrowings as detailed in note 26 to the consolidated financial statements.
- (b) Equity represents all capital and reserves attributable to equity holders of the Company.

During the year ended 31 March 2013, the Group had no external borrowings and the directors of the Company managed the capital by monitoring the cost of capital and other sources of funds.

6. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 37 to the consolidated financial statements.

The Group's turnover and revenue recognised by category are as follows:

	Note	2014 HK\$'000	2013 HK\$'000 (Restated)
Continuing operations			
Sale of telecommunications equipment and products		10,589	16,825
Rental income		9,759	3,792
Telecommunications retail sales and management services income		35,863	43,046
Turnover		56,211	63,663
Interest income		2,632	955
Others		1,604	2,793
Other revenue		4,236	3,748
Total revenue from continuing operations		60,447	67,411
Discontinued operations			
Total revenue from discontinued operations	13(a)	–	86,610
Total revenue		60,447	154,021

7. OTHER NET INCOME

	2014 HK\$'000	2013 HK\$'000
Gain on disposal of property, plant and equipment	78	–
Gain on disposal of subsidiaries	13,391	–
Gain on disposal of club membership	340	–
Sundry income	–	4
	13,809	4

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

8. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The Group's mobile communications services business ("MVNO") was disposed of in March 2013 and the results of MVNO have been separately presented as discontinued operation in note 13 to the consolidated financial statements. Subsequent to the disposal, the Company's executive directors regularly review the operating results of the Group's investment in properties and make decisions about resources to be allocated to the segment and assess its performance. Hence, the Group's investment in properties is presented as a business segment and the comparative information has been re-presented.

The Group's reportable segments are as follows:

	Operating segments	Nature of business activities	Place of operation
1	Telecommunications retail sales and management services	Retail sales of telecommunications related equipment and products, provision of maintenance and repair services and provision for retail sales and management services	PRC
2	Property investment	Property holding for long term investment and leasing purposes	Hong Kong
3	Others	Other businesses including investment holdings	Hong Kong and PRC
4	Mobile communications services	Provision of mobile communications services, provision of maintenance and accounts management services to telecommunications operators	Hong Kong

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

Segment assets include all assets with the exception of interests in associates, bank balances and cash and other corporate assets. Segment liabilities include all liabilities with the exception of provision for taxation, deferred tax liabilities and other corporate liabilities. Those assets and liabilities not allocated to reportable segments are grouped in unallocated assets and unallocated liabilities respectively.

Revenue and expenses allocated to the reportable segments include the sales generated by the segment and the expenses incurred by the segment or which arise from the depreciation of assets attributable to those segments.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

8. SEGMENT INFORMATION (continued)

For the year ended 31 March 2014

	Continuing operations			Discontinued operations		Group HK\$'000
	Telecommunications retail sales and management services HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000	Mobile communications services HK\$'000	
Turnover						
Revenue from external customers	46,452	9,759	–	56,211	–	56,211
Segment turnover	46,452	9,759	–	56,211	–	56,211
Segment results	(1,852)	12,277	(11,588)	(1,163)	–	(1,163)
Interest income				2,632	–	2,632
Finance costs				(3,747)	–	(3,747)
Share of results of associates				(1,081)	–	(1,081)
Loss before taxation				(3,359)	–	(3,359)
Taxation				(497)	–	(497)
Loss for the year				(3,856)	–	(3,856)
Assets						
Segment assets	10,563	315,523	4,555	330,641	–	330,641
Unallocated assets				422,779	–	422,779
Total assets				753,420	–	753,420
Liabilities						
Segment liabilities	(8,894)	(741)	(7,853)	(17,488)	–	(17,488)
Unallocated liabilities				(300,157)	–	(300,157)
Total liabilities				(317,645)	–	(317,645)
Other information						
Interests in associates accounted for by equity method	–	–	–	383,919	–	383,919
Capital expenditure	519	–	1,639	2,158	–	2,158
Change in fair value of investment properties	–	(11,000)	–	(11,000)	–	(11,000)
Depreciation	512	–	250	762	–	762
Gain on disposal of subsidiaries	–	–	(13,391)	(13,391)	–	(13,391)
Gain on disposal of club membership	–	–	(340)	(340)	–	(340)
Significant non-cash expenses (other than depreciation and amortization)	138	–	237	375	–	375

For the year ended 31 March 2013
(Restated)

	Continuing operations			Discontinued operations		Group HK\$'000
	Telecommunications retail sales and management services HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000	Mobile communications services HK\$'000	
Turnover						
Revenue from external customers	59,871	3,792	–	63,663	86,334	149,997
Segment turnover	59,871	3,792	–	63,663	86,334	149,997
Segment results	171	76,968	(4,721)	72,418	(1,181)	71,237
Interest income				955	2	957
Impairment of goodwill				(29,117)	–	(29,117)
Profit (loss) before taxation				44,256	(1,179)	43,077
Taxation				(1,847)	–	(1,847)
Profit (loss) after taxation				42,409	(1,179)	41,230
Gain on disposal of discontinued operations				–	41,996	41,996
Profit for the year				42,409	40,817	83,226
Assets						
Segment assets	16,067	324,151	22,448	362,666	–	362,666
Unallocated assets				102,099	–	102,099
Total assets				464,765	–	464,765
Liabilities						
Segment liabilities	(8,405)	(9)	(6,391)	(14,805)	–	(14,805)
Unallocated liabilities				(4,829)	–	(4,829)
Total liabilities				(19,634)	–	(19,634)
Other information						
Capital expenditure	304	–	38	342	1,058	1,400
Change in fair value of investment properties	–	(79,000)	–	(79,000)	–	(79,000)
Depreciation	484	–	1,154	1,638	525	2,163
Impairment of goodwill	–	–	–	29,117	–	29,117
Significant non-cash expenses (other than depreciation and amortization)	6	83	106	195	257	452

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

8. SEGMENT INFORMATION (continued)

Secondary reporting format – Geographical segments

The geographical segments of the Group's turnover are as follows:

	Continuing operations		Discontinued operations		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC	46,452	59,871	–	–	46,452	59,871
Hong Kong	9,759	3,792	–	86,334	9,759	90,126
	<u>56,211</u>	<u>63,663</u>	<u>–</u>	<u>86,334</u>	<u>56,211</u>	<u>149,997</u>

The geographical segments of the Group's results are as follows:

	Continuing operations		Discontinued operations		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC	(766)	4,821	–	–	(766)	4,821
Hong Kong	(397)	67,597	–	(1,181)	(397)	66,416
	<u>(1,163)</u>	<u>72,418</u>	<u>–</u>	<u>(1,181)</u>	<u>(1,163)</u>	<u>71,237</u>

The geographical segments of the Group's total assets are as follows:

	Continuing operations		Discontinued operations		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC	427,962	63,032	–	–	427,962	63,032
Hong Kong	325,458	401,733	–	–	325,458	401,733
	<u>753,420</u>	<u>464,765</u>	<u>–</u>	<u>–</u>	<u>753,420</u>	<u>464,765</u>

The geographical segments of the Group's capital expenditure are as follows:

	Continuing operations		Discontinued operations		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC	519	304	–	–	519	304
Hong Kong	1,639	38	–	1,058	1,639	1,096
	<u>2,158</u>	<u>342</u>	<u>–</u>	<u>1,058</u>	<u>2,158</u>	<u>1,400</u>

The geographical segments of the Group's non-current assets are as follows:

	Continuing operations		Discontinued operations		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC	384,893	998	–	–	384,893	998
Hong Kong	316,573	307,551	–	–	316,573	307,551
	<u>701,466</u>	<u>308,549</u>	<u>–</u>	<u>–</u>	<u>701,466</u>	<u>308,549</u>

Information about major customers

For the year ended 31 March 2014, approximately HK\$45,275,000 or 80% (2013: approximately HK\$49,504,000 or 33%) of the Group's external revenue is derived from a single customer in the telecommunications retail sales and management services segment. (Note)

In the property investment segment, approximately HK\$9,759,000 or 17% (2013: approximately HK\$3,792,000 or 3%) of the Group's external revenue was derived from a single customer.

Note: The single customer consists of two legal entities which are under common control.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on bank loans wholly repayable within five years	2,909	–
Interest on promissory notes	838	–
	<u>3,747</u>	<u>–</u>

10. (LOSS) PROFIT BEFORE TAXATION

Continuing operations

This is stated after charging (crediting):

	2014 HK\$'000	2013 HK\$'000
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	29,655	29,942
Contributions to defined contribution plans	6,580	5,853
	<u>36,235</u>	<u>35,795</u>
Auditor's remuneration		
Current year	580	720
Over provision in prior year	–	(10)
Other services	1,120	154
Cost of inventories	9,920	19,670
Depreciation	762	1,638
Operating lease charges on premises	8,342	7,002
Write off of doubtful trade receivables	138	–
(Gain) Loss on disposal of property, plant and equipment	(78)	112
Loss on disposal of investment property	–	83
Exchange loss, net	24	36
Direct operating expenses arising from investment properties that generated rental income	2,203	–
Direct operating expenses arising from investment properties that did not generate rental income	<u>62</u>	<u>1,003</u>

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

	Directors' fees HK\$'000	Salaries, allowances and benefits in kinds HK\$'000	Discretionary Bonus HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
2014					
Executive directors:					
Chai Xiu (a)	–	1,450	–	6	1,456
Cong Hongsong (b)	–	203	–	5	208
Chen Luhui (b)	–	407	–	5	412
Ting Pang Wan, Raymond (c)	–	1,401	–	10	1,411
Ji Zuguang (e)	–	1,040	270	15	1,325
Non-executive director:					
Ting Pang Wan, Raymond (c)	34	–	–	–	34
Independent non-executive directors:					
Chan Yuk Tong (b)	81	–	–	–	81
Mei Jianping (b)	81	–	–	–	81
Nie Meisheng (b)	81	–	–	–	81
Sin Ka Man (d)	66	–	–	–	66
Huang An Guo (d)	66	–	–	–	66
Wong Fei Tat (d)	66	–	–	–	66
	<u>475</u>	<u>4,501</u>	<u>270</u>	<u>41</u>	<u>5,287</u>
2013					
Executive directors:					
Ting Pang Wan, Raymond	–	2,051	–	15	2,066
Wu Chi Chiu	–	1,574	360	15	1,949
Zhou Lijuan	–	497	–	7	504
Ji Zuguang	–	618	–	9	627
Independent non-executive directors:					
Sin Ka Man	100	–	–	–	100
Huang An Guo	100	–	–	–	100
Wong Fei Tat	100	–	–	–	100
	<u>300</u>	<u>4,740</u>	<u>360</u>	<u>46</u>	<u>5,446</u>

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Notes:

- (a) Appointed on 6 November 2013.
- (b) Appointed on 29 November 2013.
- (c) Re-designated from an executive director to a non-executive director on 29 November 2013.
- (d) Resigned on 29 November 2013.
- (e) Resigned on 7 March 2014.

No directors have waived emoluments in respect of the years ended 31 March 2014 and 2013.

The five individuals whose emoluments were the highest in the Group for the year include three directors (2013: two) whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining two individuals (2013: three) are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kinds	2,014	2,847
Discretionary bonus	1,162	–
Retirement scheme contributions	24	44
	<u>3,200</u>	<u>2,891</u>

The emoluments were paid to individuals as follows:

Emoluments band	Number of individuals	
	2014	2013
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	2	–
	<u>2</u>	<u>3</u>

12. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for both years as the Group has no assessable profit arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

PRC Enterprise Income Tax (“EIT”) has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC. The statutory EIT rate in the PRC is 25% (2013: 25%).

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. A lower 5% withholding tax rate may be applied when the immediate holding company of the PRC subsidiaries or the shareholders of the PRC associates are resident companies in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

The post 2007 distributable earnings are not expected to be distributed in the foreseeable future, would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of these unremitted retained earnings of these PRC subsidiaries, based on 5%, were approximately of HK\$556,000 (2013: HK\$491,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for deferred taxation have been made. For the Group’s interests in associates, since all PRC associates have not yet generated any profit, there are no unremitted retained earnings subject to withholding tax.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

12. TAXATION (continued)

The major components of income tax charges are:

	Note	2014 HK\$'000	2013 HK\$'000
Continuing operations			
Current tax			
Hong Kong Profits Tax			
Current year		–	–
PRC Enterprise Income Tax			
Current year		171	817
Under provision in prior year		7	712
		<u>178</u>	<u>1,529</u>
Deferred taxation			
Origination and reversal of temporary difference	27	319	318
Tax charge from continuing operations		<u>497</u>	<u>1,847</u>
Discontinued operations			
Current tax			
Hong Kong Profits Tax			
		–	–
Tax charge from discontinued operations	13	–	–
Total tax charge for the year		<u>497</u>	<u>1,847</u>

Reconciliation of tax expense

	2014 HK\$'000	2013 HK\$'000
(Loss) Profit before taxation		
Continuing operations	(3,359)	44,256
Discontinued operations	–	40,817
	<u>(3,359)</u>	<u>85,073</u>
Income tax at applicable tax rates	(554)	14,037
Non-deductible expenses	2,518	5,764
Tax exempt revenue	(4,643)	(20,921)
Utilisation of previously unrecognised tax losses	(21)	(22)
Tax effect of unused tax losses not recognised	3,150	1,707
Under provision in prior years	7	712
Unrecognised temporary differences	156	260
Utilisation of previously unrecognised temporary differences	–	(209)
Effect on overseas tax rates differences	(29)	438
Others	(87)	81
	<u>497</u>	<u>1,847</u>
Tax charge for the year		

The applicable tax rate is the Hong Kong profits tax rate of 16.5% (2013: 16.5%).

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

13. DISCONTINUED OPERATIONS

In 2013, the Group disposed of its mobile communications services business and classified it as discontinued operations. There was no discontinued operations for the year ended 31 March 2014.

The results of the 2013 discontinued operations are summarised as follows:

	Note	2013 HK\$'000
Profit for the year from discontinued operations		
Turnover	(a)	86,334
Cost of sales and services		(53,091)
Other revenue	(a)	276
Distribution costs		(2,910)
Administrative expenses		(31,788)
Loss before taxation	(b)	(1,179)
Taxation	12	–
Loss after taxation		(1,179)
Gain on disposal of discontinued operations	33	41,996
Profit for the year from discontinued operations		<u>40,817</u>

Notes:

	Note	2013 HK\$'000
(a) Turnover and revenue		
Sale of telecommunications equipment and products		1,272
Commission income		1,845
Mobile communications services income		83,217
Turnover		<u>86,334</u>
Interest income		2
Others		274
Other revenue		<u>276</u>
Total revenue from discontinued operations	6	<u>86,610</u>

2013
HK\$'000

(b) Loss before taxation

This is stated after charging:

Staff costs (include directors' emoluments)	
Salaries, wages and other benefits	15,185
Contributions to defined contribution plans	373
	15,558
Auditor's remuneration	250
Cost of inventories	3,137
Depreciation	525
Operating lease charges	
Telecommunications equipment	1,380
Premises	2,831
Net allowance for and write off of doubtful trade receivables	157
Write-down of inventories	93
Loss on disposal of property, plant and equipment	7
	7

(c) An analysis of the cash flows of discontinued operations is as follows:

Net cash used in operating activities	(68)
Net cash used in investing activities	(1,058)
	(1,126)
Net decrease in cash and cash equivalents	(1,126)

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

14. (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated (loss) profit attributable to shareholders of the Company included a loss of HK\$16,749,000 (2013: loss of HK\$2,432,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss) profit:

	2014 HK\$'000	2013 HK\$'000
Amount of consolidated loss attributed to shareholders of the Company dealt with in the Company's financial statements	(16,749)	(2,432)
Reversal of allowance for amounts due from subsidiaries	4,094	96,137
Company's (loss) profit for the year (note 30)	<u>(12,655)</u>	<u>93,705</u>

15. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the following data:

(a) Number of shares (Note)

	2014	2013 (Restated)
Issued ordinary shares at beginning of year	564,100,000	564,100,000
Effect of share options exercised	694,493	–
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>564,794,493</u>	564,100,000
Effect of dilutive potential ordinary shares: Share options issued by the Company	–	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>564,794,493</u>	<u>564,100,000</u>

(b) (Loss) Earnings per share (Note):

	2014	2013
(i) For continuing and discontinued operations (Loss) Earnings from continuing operations attributable to shareholders of the Company (HK\$'000)	(3,850)	83,218
(ii) For continuing operations (Loss) Earnings from continuing operations attributable to shareholders of the Company (HK\$'000)	(3,850)	42,342
(iii) For discontinued operations Earnings from discontinued operations attributable to shareholders of the Company (HK\$'000)	N/A	40,876

Diluted earnings per share from continuing and discontinued operations for the year ended 31 March 2013 are the same as the basic earnings per share because share options in issue have no dilutive effect and there are no dilutive potential ordinary shares in existence.

Diluted loss per share from continuing operations for the year ended 31 March 2014 are the same as the basic loss per share because the conversion of potential ordinary shares would have anti-dilutive effect.

Note:

Subsequent to the end of the reporting period and before the consolidated financial statements are authorised for issue, the Company completed its share consolidation of every five shares of HK\$0.01 each in the issued and unissued share capital into one share of HK\$0.05 ("Consolidated Shares"). Accordingly, the calculation of basic and diluted (loss) earnings per share for all periods presented have been adjusted retrospectively to reflect the adjusted weighted average number of ordinary shares.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

16. INVESTMENT PROPERTIES

	Group	
	2014 HK\$'000	2013 HK\$'000
At fair value		
At beginning of year	304,000	227,800
Disposal	–	(2,800)
Change in fair value	11,000	79,000
At the end of the reporting period	315,000	304,000

Investment properties of the Group are situated in Hong Kong and are held under the medium term lease.

As at 31 March 2014 and 2013, the investment properties were revalued by Savills Valuation and Professional Services Limited and DTZ Debenham Tie Leung Limited respectively, which are independent professional qualified valuers, on the open market value basis using direct comparison approach.

The Group's investment properties with an aggregate carrying value at the end of the reporting period of HK\$315,000,000 (2013: Nil) were pledged to secure the Company's bank loans as set out in note 26 to the consolidated financial statements.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and office equipment HK\$'000	Telecom- munications equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Reconciliation of carrying amount – year ended					
31 March 2013					
At beginning of year	2,033	495	545	840	3,913
Additions	391	953	56	–	1,400
Reclassification	(248)	248	–	–	–
Disposals	(119)	–	–	–	(119)
Disposals of discontinued operations	(249)	(1,369)	(6)	–	(1,624)
Depreciation	(1,087)	(327)	(423)	(326)	(2,163)
Exchange differences	6	–	–	6	12
At the end of the reporting period	727	–	172	520	1,419
Reconciliation of carrying amount – year ended					
31 March 2014					
At beginning of year	727	–	172	520	1,419
Additions	1,715	–	306	137	2,158
Disposals	(257)	–	–	(11)	(268)
Depreciation	(281)	–	(192)	(289)	(762)
At the end of the reporting period	1,904	–	286	357	2,547
At 1 April 2013					
Cost	5,218	–	7,363	3,857	16,438
Accumulated depreciation and impairment losses	(4,491)	–	(7,191)	(3,337)	(15,019)
	727	–	172	520	1,419
At 31 March 2014					
Cost	5,871	–	6,921	2,751	15,543
Accumulated depreciation and impairment losses	(3,967)	–	(6,635)	(2,394)	(12,996)
	1,904	–	286	357	2,547

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Motor vehicle HK\$'000
Reconciliation of carrying amount – year ended 31 March 2013 and 2014	
At beginning of year and at the end of the reporting period	–
At 1 April 2013	
Cost	509
Accumulated depreciation	(509)
	–
At 31 March 2014	
Cost	–
Accumulated depreciation	–
	–

Note: The motor vehicle with cost of \$509,000 was disposed of during the year ended 31 March 2014.

18. GOODWILL

	Group	
	2014 HK\$'000	2013 HK\$'000
Reconciliation of carrying amount		
At beginning of year	–	29,117
Impairment loss	–	(29,117)
At the end of the reporting period	–	–
Cost	119,756	119,756
Accumulated impairment losses	(119,756)	(119,756)
	–	–

The telecommunications retail sales and management services in Shanghai (the “Shanghai Operation”) continued to face the challenges in a saturated telecom market and changes in marketing strategy deployed by the Shanghai telecommunications operator. As at 31 March 2013, the directors of the Company assessed the recoverable amount of the CGU of the Shanghai Operation from value in use calculations and its declining operating results and determined that goodwill associated with the CGU was fully impaired.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	113,115	113,115
Impairment loss	(113,115)	(113,115)
	–	–
Due from subsidiaries	1,561,088	1,223,802
Allowance for doubtful debts	(830,021)	(834,115)
	731,067	389,687
Due to subsidiaries	(600)	(7,137)
	730,467	382,550

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

19. INTERESTS IN SUBSIDIARIES (continued)

The amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed term of repayment but repayment is not expected to be within twelve months from the end of the reporting period. The carrying amounts of the amounts due approximate their fair values.

Particulars of the Company's principal subsidiaries at the end of the reporting period, which in the opinion of the directors principally affect the results for the year or form a substantial portion of the net assets, are set out in note 37 to the consolidated financial statements.

20. INTERESTS IN ASSOCIATES

	Group	
	2014 HK\$'000	2013 HK\$'000
Investment cost	385,000	112,274
Share of results	(1,081)	–
	383,919	112,274
Impairment loss	–	(112,274)
	383,919	–

On 29 October 2013, the Group completed major transaction that includes the acquisition of 35% effective interest of a PRC company which in turn holds a property project in Changbaishan, Jilin Province, the PRC ("Changbaishan Property Project"). Total consideration for such acquisition is HK\$385,000,000 of which HK\$300,000,000 was paid by cash and the remaining balance of HK\$85,000,000 was paid by way of issue of the promissory notes.

The principal activity of Jilin Ground Group is properties development and development of travel related projects.

Details of the Group's principal associates at the end of the reporting period are as follows:

Name of associates	Principal place of business and place of incorporation	Registered capital	Proportion of registered capital held by the Group		Principal activity
			2014	2013	
Jilin Ground Tourism Investment Co., Ltd	PRC	RMB10,000,000	35%	–	Development of travel related projects
撫松長白山廣澤旅遊開發有限公司 (Fusong Changbaishan Guangze Tourism Development Company Limited#)	PRC	RMB10,000,000	35%	–	Development of travel related projects
撫松廣澤房地產開發有限公司 (Fusong Guangze Real Estate Investment Company Ltd.#)	PRC	RMB10,000,000	35%	–	Properties development
China Motion Netcom Services Co., Ltd.	PRC	RMB30,000,000	–	22.5%	Provision of VoIP related services in the PRC

Note: Interests in China Motion Netcom Services Co., Ltd. was disposed of during the year ended 31 March 2014.

English translation for identification purposes only.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

20. INTERESTS IN ASSOCIATES (continued)

Financial information of material associates

The following table illustrates the summarised financial information of Jilin Ground Group which is prepared using the same accounting policies as those adopted by the Group and has been adjusted to reflect the fair value of identifiable assets and liabilities of Jilin Ground Group at the completion date of acquisition by the Group and reconciled to the carrying amount in the consolidated financial statements.

	At 31 March 2014 HK\$'000
<hr/>	
<i>Gross amount</i>	
Current assets	5,990
Non-current assets	1,613,202
Current liabilities	(529,421)
Non-current liabilities	(281,341)
	<hr/>
Equity	808,430
	<hr/>
<i>Reconciliation</i>	
Gross amount of equity	808,430
	<hr/>
Group's ownership interests and voting rights	35%
	<hr/>
Group's share of equity	282,951
Goodwill	100,968
	<hr/>
Carrying amount of interests	383,919
	<hr/>
	Year ended 31 March 2014 HK\$'000
<hr/>	
<i>Gross amount</i>	
Revenue	–
	<hr/>
Loss from operations	(3,088)
Other comprehensive income	–
	<hr/>
Total comprehensive loss	(3,088)
	<hr/>

Unrecognised share of losses of associates

The unrecognised share of losses of associates for the current year and cumulatively up to the end of the reporting period amounted to HK\$42,000 (2013: HK\$237,000) and HK\$2,343,000 (2013: HK\$2,301,000) respectively.

21. OTHER NON-CURRENT ASSETS

	Group	
	2014 HK\$'000	2013 HK\$'000
Club debentures, at cost less impairment		
At the end of reporting period	—	3,130

22. INVENTORIES

	Group	
	2014 HK\$'000	2013 HK\$'000
Finished goods	1,580	2,435

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

23. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade receivables					
Trade receivables from third parties		5,153	8,877	–	–
Allowance for doubtful debts	(b)	–	–	–	–
	(a)	5,153	8,877	–	–
Other receivables					
Consideration receivable for disposal of discontinued operations	(c)	–	37,491	–	–
Deposits, prepayments and other receivables		15,687	14,640	176	118
Allowance for doubtful debts	(d)	(9,326)	(9,326)	–	–
		6,361	42,805	176	118
		11,514	51,682	176	118

*Notes:***(a) Trade receivables**

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 60 days. The carrying amount of the amounts due approximates their fair values.

The ageing analysis of the trade receivables (net of allowance for doubtful debts) from the date of invoices as at the end of the reporting period is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
0 – 30 days	2,879	2,964
31 – 60 days	2,052	2,661
61 – 90 days	150	2,628
Over 90 days	72	624
	5,153	8,877

(b) Allowance for doubtful debts – Trade receivables

	Group	
	2014 HK\$'000	2013 HK\$'000
Balance at beginning of year	–	519
Amount recovered	–	(72)
Disposal of discontinued operations	–	(447)
Balance at end of year	–	–

Included in the Group's trade receivable balance are debtors with a carrying amount of HK222,000 (2013: HK\$3,252,000), which are past due at the end of the reporting period for which the Group has not impaired as there has not been a significant change in credit quality and the directors consider that the amounts are recoverable. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

23. TRADE AND OTHER RECEIVABLES (continued)

(b) Allowance for doubtful debts – Trade receivables (continued)

The ageing of trade receivables which are past due but not impaired is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Past due for		
0-30 days	–	–
31-60 days	–	–
61-90 days	150	2,628
over 90 days	72	624
	222	3,252

(c) Consideration receivable for disposal of discontinued operations

As at 31 March 2013, the amount was due and receivable according to the agreed repayment schedule within the next 12 months from Gulfstream Capital Partners Ltd. An interest in an aggregate sum of HK\$1,500,000 was receivable with the final payment of the amount due. All consideration receivable together with interest receivable was received in October 2013.

(d) Allowance for doubtful debts – Other receivables

	Group	
	2014 HK\$'000	2013 HK\$'000
Balance at beginning and end of year	9,326	9,326

24. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirement of the Group, and earn interest at the respective short-term deposit rates.

Bank balances and cash in terms of currencies (expressed in Hong Kong dollars) are as follows:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
HK\$	5,107	74,006	2,110	60,168
RMB	32,839	27,134	161	25
Others	914	959	–	–
	38,860	102,099	2,271	60,193

25. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade payables	(a)	757	1,482	–	–
Other payables					
Accrued charges and other creditors		13,532	13,228	3,901	1,824
Deposits received		619	95	–	–
Due to a related party	(b)	2,580	–	–	–
		16,731	13,323	3,901	1,824
		17,488	14,805	3,901	1,824

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

25. TRADE AND OTHER PAYABLES (continued)

Notes:

(a) Trade payables

The ageing analysis of trade payables from the date of invoices as at the end of the reporting period is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
0 – 30 days	273	748
31 – 60 days	116	67
61 – 90 days	80	108
Over 90 days	288	559
	757	1,482

(b) Due to a related party

The amount due to a related party is unsecured, interest-free and has no fixed repayment term. The related party is an entity controlled by a close family member of a controlling shareholder of the Company.

26. INTEREST-BEARING BORROWINGS

	Group and Company	
	2014 HK\$'000	2013 HK\$'000
Secured	210,000	–
Unsecured	85,000	–
	295,000	–
The maturity of the interest-bearing borrowings is as follows:		
Within one year	85,000	–
In the second year	32,000	–
In the third to fifth years, inclusive	178,000	–
	295,000	–
Portion classified as current liabilities	(145,000)	–
	150,000	–
Non-current portion	150,000	–

At 31 March 2014, the interest-bearing borrowings consist of secured bank loans of HK\$210,000,000 (2013: Nil) that are pledged by the investment properties of the Group (note 16) and unsecured promissory notes of HK\$85,000,000 issued by the Company on 29 October 2013 for the acquisition of the entire equity interest in Ace Plus Global Limited and its subsidiaries (note 32).

The promissory notes bear interest ranging from 4% to 12% per annum depending on the repayment date of the principal amount(s). The promissory notes will mature on 28 October 2014 and the Company shall have the option to extend the maturity date of the promissory notes for an additional year. The Company is entitled to repay any outstanding principal amount of the promissory notes at any time prior to the maturity date and the promissory notes have been classified as current liabilities.

The secured bank loans of HK\$210,000,000 (2013: Nil) bear interest of HIBOR + 3% per annum and contain a clause in their terms that gives the lender an overriding right to demand repayment of HK\$60,000,000 (2013: Nil) without notice at its sole discretion. Accordingly such portion has been classified as current liabilities even though the directors do not expect that the lender would exercise their rights to demand repayment.

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 5. As at 31 March 2014, none of the covenants relating to drawn down facilities had been breached.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

27. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax position is as follows:

Recognised deferred tax liabilities (assets)

	Note	Accelerated depreciation allowances HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2012		4,462	(1,233)	3,229
Charged to profit or loss	12	318	–	318
Disposal of discontinued operations		–	1,233	1,233
At 31 March 2013		4,780	–	4,780
At 1 April 2013		4,780	–	4,780
Charged to profit or loss	12	319	–	319
At 31 March 2014		5,099	–	5,099

Unrecognised deferred tax assets arising from

	Group	
	2014 HK\$'000	2013 HK\$'000
Deductible temporary differences	1,331	454
Tax losses	350,222	335,561
At the end of the reporting period	351,553	336,015

The Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. The tax losses do not expire under current tax legislation.

28. SHARE CAPITAL

	2014		2013	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares of HK\$0.01each				
Authorised:				
As at 31 March 2014 and 2013	78,000,000,000	780,000	78,000,000,000	780,000
Issued and fully paid:				
At beginning of the year	2,820,500,000	28,205	2,820,500,000	28,205
Exercise of share options (<i>Note 29</i>)	32,650,000	327	–	–
At end of the reporting period	2,853,150,000	28,532	2,820,500,000	28,205

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme on 6 September 2002 with scheme limit refreshed on 23 September 2009, which was terminated on 5 September 2012 (the “2002 Share Option Scheme”). A new share option scheme (the “2012 Share Option Scheme”) was adopted by the shareholders of the Company. No share options have been granted by the Company under the 2012 Share Option Scheme since its adoption.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

The terms and conditions of the share options granted under the 2002 Share Option Scheme were as follows:

	Date of grant	Exercise price per share option HK\$	Number of share options		Exercise period (Note 3)
			Outstanding and exercisable as at 31 March 2014	Outstanding and exercisable as at 31 March 2013	
Options granted to former directors					
Mr. JI Zuguang (Note 1)	10/08/2009	0.182	–	9,000,000	10/08/2009 – 09/08/2019
	29/09/2009	0.160	–	6,000,000	29/09/2009 – 28/09/2019
Mr. WU Chi Chiu (Note 2)	10/08/2009	0.182	–	12,000,000	10/08/2009 – 09/08/2019
	29/09/2009	0.160	–	8,000,000	29/09/2009 – 28/09/2019
Sub-total			–	35,000,000	
Options granted to employees					
	10/08/2009	0.182	6,370,000	15,800,000	10/08/2009 – 09/08/2019
	29/09/2009	0.160	1,980,000	10,200,000	29/09/2009 – 28/09/2019
Sub-total			8,350,000	26,000,000	
Total			8,350,000	61,000,000	

Notes:

- Mr. Ji Zuguang resigned as a director of the Company on 7 March 2014.
- Mr. Wu Chi Chiu (“Mr. Wu”) resigned as a director of the Company on 31 March 2013. The 20,000,000 share options granted to Mr. Wu lapsed on 30 September 2013 (i.e. 6 months following the date of cessation as qualified person) as a result of his resignation pursuant to the 2002 Share Option Scheme.
- According to the 2002 Share Option Scheme and the unconditional mandatory cash offers for, inter alia, cancellation of all the outstanding share options of the Company (the “Option Offer”) made by Charm Success Group Limited under the Hong Kong Code on Takeovers and Mergers, all the share options remaining unexercised will lapse and become null and void and of no further effect on 6 May 2014 (i.e. 6 calendar months after the date on which the Option Offer was made).

The weighted average exercise prices of share options outstanding as at 31 March 2014 and 2013 are as follows:

	Year ended 31 March			
	2014		2013	
	Weighted average exercise price in HK\$ per share	Number of share options ('000)	Weighted average exercise price in HK\$ per share	Number of share options ('000)
Beginning of the year	0.1733	61,000	0.1733	61,000
Exercised	0.1724	(32,650)	–	–
Lapsed	0.1732	(20,000)	–	–
End of the year	0.1768	8,350	0.1733	61,000

The weighted average share price at the date of share options exercised was HK\$0.28 (2013: Nil).

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

Summary of each of the 2002 Share Option Scheme and the 2012 Share Option Scheme is as follows:

	2002 Share Option Scheme <i>(Terminated on 5 September 2012)</i>	2012 Share Option Scheme
1) Purpose	To recognise and acknowledge the contributions or potential contributions made or to be made by the qualified persons to the Group, to motivate the qualified persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the qualified persons whose contributions are or may be beneficial to the growth of the Group.	To recognise and acknowledge the contributions or potential contributions made or to be made by the participant to the Group or any entity in which the Group holds any equity interests (the "Invested Entity"), to motivate the participants to optimise their performance and efficiency for the benefit of the Group or the Invested Entity, and to maintain or attract business relationship with the participants whose contributions are or may be beneficial to the growth of the Group or the Invested Entity.
2) Participants	<p>(a) any part-time or full-time employee or officer of any member of the Group or any affiliate (as defined under the scheme) or of any substantial shareholder of any member of the Group; or</p> <p>(b) any director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate (as defined under the scheme); or</p>	<p>(a) any employee (including any executive director) or officer (including any non-executive director and independent nonexecutive director) or substantial shareholder of the Company or any subsidiary or any Invested Entity; or</p> <p>(b) any consultant, agent, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity; or</p>

2002 Share Option Scheme*(Terminated on 5 September 2012)***2012 Share Option Scheme**

	(c) any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or	(c) any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons, or any company beneficially owned by any of the abovementioned category(ies) of persons; or
	(d) any substantial shareholder of the Company or of its subsidiaries	(d) any other person
	who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group as a whole.	who, the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group or Invested Entity based on his performance and/or years of service, or is regarded as valuable resources of the Group or the Invested Entity based on his work experience, knowledge in the industry and other relevant factors, or is expected to be able to contribute to the prosperity, business development or growth of the Group or the Invested Entity based on his/ its business connection or network or other relevant factors.
3) Total number of shares available for issue	282,050,000 shares, being 10% of total number of shares in issue as at the date of refreshment of scheme limit on 23 September 2009.	56,410,000 Consolidated Shares, being 10% of the nominal amount of all the consolidated and issued shares as at the adoption date of the scheme on 5 September 2012.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

	2002 Share Option Scheme <i>(Terminated on 5 September 2012)</i>	2012 Share Option Scheme
4) Maximum entitlement of each participant	<p>In any 12-month period:</p> <p>(a) for each grantee, not exceeding 1% of the shares then in issue (including both exercised and outstanding options);</p> <p>(b) for substantial shareholders and independent non-executive directors, not more than 0.1% of the total issued shares for the time being and not having value in excess of HK\$5 million (including options exercised, cancelled or outstanding),</p> <p>unless separately approved by independent shareholders at general meeting.</p>	<p>In any 12-month period:</p> <p>(a) for each grantee, not exceeding 1% of the aggregate number of shares for the time being in issue (including both exercised and outstanding options);</p> <p>(b) for substantial shareholders and independent non-executive directors, not over 0.1% of the number of shares then in issue and not having aggregate value in excess of HK\$5 million (including options exercised, cancelled and outstanding),</p> <p>unless separately approved by independent shareholders at general meeting.</p>
5) Option period	A period set out in the relevant offer letter but expiring no later than the tenth anniversary of the date of offer.	A period commencing on the date as specified in the grant letter and expiring on the earliest of the last day of the said period or such time as specified in the scheme and/or the grant letter but not more than 10 years from the date of grant.
6) Minimum period for which an option must be held before it can vest	No general performance target or minimum holding period to the vesting or exercise of options (subject to the terms of offer letter).	No minimum period before the options can be exercised unless otherwise imposed by the Board at its absolute discretion.

2002 Share Option Scheme*(Terminated on 5 September 2012)***2012 Share Option Scheme**

7) Payment on acceptance of option	HK\$1.00 to be payable as consideration for the grant of an option within 21 days from the date of offer.	HK\$1.00 in cash to be payable on acceptance within 21 days from the date of grant.
8) Subscription price	To be notified by the Board and shall be the highest of: <ul style="list-style-type: none"> (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is offered; or (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is offered; or (c) the nominal value of the shares. 	To be determined by the Board and shall be at least the highest of: <ul style="list-style-type: none"> (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day; (b) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option; and (c) the nominal value of the shares.
9) Life	A period of 10 years commencing from the date on which the scheme is taken effect, i.e. 6 September 2002, and expiring on the tenth anniversary of such date, i.e. 6 September 2012.	A period of 10 years commencing on 5 September 2012 (being the date on which the scheme is adopted) and expiring on the tenth anniversary of such date, i.e. 5 September 2022.

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 share option reserve within equity. The fair value is determined using the Binomial option pricing model (the "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").

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in share option reserve within equity, over the year(s) in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award. 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.

The estimated fair values of share options granted by the Company were measured on the dates of grant by using the Model. The Model is one of the commonly used models to estimate the fair value of a share option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

30. RESERVES

Company

	Note	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2012		35,383	450	263,441	4,986	14,867	319,127
Profit for the year	14	–	–	–	–	93,705	93,705
At 31 March 2013		35,383	450	263,441	4,986	108,572	412,832
At 1 April 2013		35,383	450	263,441	4,986	108,572	412,832
Shares issued under share option scheme		7,864	–	–	(2,560)	–	5,304
Lapse of share option		–	–	–	(1,752)	1,752	–
Loss for the year	14	–	–	–	–	(12,655)	(12,655)
At 31 March 2014		43,247	450	263,441	674	97,669	405,481

Dividend

The directors do not recommend the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by the Companies Act 1981 of Bermuda (as amended).

Properties revaluation reserve

When an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policies adopted for foreign currency translation.

Enterprise expansion reserve

Enterprise expansion reserve represents a PRC statutory reserve set up by the operating subsidiaries in the PRC. Upon approval by the relevant PRC authorities, the enterprise expansion reserve may be used for increasing the registered capital of the relevant subsidiaries in the PRC.

Contributed surplus

The contributed surplus of the Company arose from the capital reduction in May 2006, which consists of share capital reduction and cancellation of the entire amount of the share premium account of the Company as at 31 March 2005. Under the Companies Act 1981 of Bermuda (as amended), a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in the notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

31. CASH GENERATED FROM (USED IN) OPERATIONS

	2014 HK\$'000	2013 HK\$'000
(Loss) Profit before taxation		
Continuing operations	(3,359)	44,256
Discontinued operations	–	40,817
	(3,359)	85,073
Interest income	(2,632)	(957)
Interest expenses	3,747	–
Gain on disposal of discontinued operations	–	(41,996)
Gain on disposal of subsidiaries	(13,391)	–
Gain on disposal of club membership	(340)	–
Share of results of associates	1,081	–
Depreciation	762	2,163
Change in fair value of investment properties	(11,000)	(79,000)
Impairment of goodwill	–	29,117
Allowance for doubtful trade receivables	–	157
Write off of doubtful trade receivables	138	–
Loss on disposal of investment property	–	83
(Gain) Loss on disposal of property, plant and equipment	(78)	119
Write-down of inventories	–	93
Exchange difference arising on translation	(51)	402
Decrease in inventories	854	4,965
Decrease in trade and other receivables	40,131	1,008
Increase (Decrease) in trade and other payables	1,747	(4,075)
Cash generated from (used in) operations	17,609	(2,848)

32. ACQUISITION OF INTERESTS IN A SUBSIDIARY AND OTHER ASSETS

Acquisition during the year

On 29 October 2013, the Company acquired the entire 100% equity interest in Ace Plus Global Limited (“Ace Plus”) and the shareholder’s loan owing by Ace Plus to the original shareholder of HK\$4,377,000. Ace Plus’s principal asset is 35% effective interest of Jilin Ground Tourism Investment Co., Ltd (“Jilin Ground”), a company established in the PRC. One of Jilin Ground’s subsidiaries holds contractual rights of 14 pieces of land located at Zone 1, Gusong Village, Fusongxingcheng, Baishan, Jilin Province, the PRC with a total site area of approximately 662,200 square meters (652,608 square meters transferred and 9,592 square meters allocated). The scope of business of Jilin Ground Group would be properties development and development of travel related projects. Jilin Ground Group has not commenced any business operation.

Jilin Province is one of the regions with a strong potential for the development of tourism. Through the acquisition and so the development of the Changbaishan Property Project, the Group will benefit from the 35% profit derived from the sales of residential units of the project and recurring rental income from the commercial units. It is expected that it will create a new income stream through the provision of management services including planning, design, budgeting, licensing, contract tendering and contract administration.

The development of the Changbaishan Property Project is to be completed in phases. At the end of the reporting period, the Changbaishan Property Project is under its initial stage on time schedule. Pre-sale of Phase 1 of the project is expected to begin in the second half of 2014. Thus, it will generate a substantial cash inflow to the Jilin Ground Group in the next financial year.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

32. ACQUISITION OF INTERESTS IN A SUBSIDIARY AND OTHER ASSETS (continued)

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed.

	HK\$'000
Consideration:	
Cash paid	300,000
Promissory notes issued	85,000
Total consideration transferred	385,000
Fair value of identifiable assets acquired:	
Group's share of equity in associates	284,032
Goodwill arising from acquisition	100,968
Interests in associates	385,000
Net cash flow on acquisition:	
Consideration paid	(300,000)

33. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS

On 29 October 2013 and 31 March 2014, the Group disposed of its 100% interests in Express Lane Investment Limited and its 100% interests in CM Mobile Holdings Limited together with its subsidiaries respectively. On 1 March 2013, the Group disposed of its 100% interests in China Motion Telecom (HK) Limited. The details are as follows:

	2014 HK\$'000	2013 HK\$'000
Net assets disposed of:		
Property, plant and equipment	–	1,624
Investment in club debentures	3,130	–
Deferred tax assets	–	1,233
Inventories	–	473
Trade and other receivables	–	10,676
Cash and bank balances	11	10,153
Trade and other payables	(32)	(14,946)
Advance subscription fees received	–	(5,689)
	<u>3,109</u>	<u>3,524</u>
Total consideration:		
Cash consideration received	5,320	12,009
Cash consideration receivable	100	37,491
	<u>5,420</u>	<u>49,500</u>

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

33. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (continued)

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries/discontinued operations:

	2014 HK\$'000	2013 HK\$'000
Cash consideration received	5,320	12,009
Cash and cash equivalents disposed of	(11)	(10,153)
Paid costs related to disposal	–	(1,017)
Net inflow of cash and cash equivalents	5,309	839
Gain on disposal of subsidiaries/discontinued operations:		
Consideration received and receivable	5,420	49,500
Net assets disposed of	(3,109)	(3,524)
Non-controlling interests	6,069	37
Reclassification adjustment of exchange differences arising from disposed subsidiaries from equity to profit or loss	5,011	–
Costs related to disposal	–	(4,017)
	13,391	41,996

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions in the ordinary course of the Group's business.

	2014 HK\$'000	2013 HK\$'000
(i) Key management personnel		
Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in note 11, is as follows:		
– Salaries, allowance and benefit in kinds	6,931	8,147
– Discretionary bonus	1,894	360
– Retirement scheme contribution	80	101
– Termination benefits	398	–
	9,303	8,608
(ii) Entities controlled by a close family member of a controlling shareholder of the Company		
Rental expenses paid	24	–
Purchase of furniture, fixtures and equipment	1,160	–

During the year, an entity controlled by a close family member of a controlling shareholder of the Company assumed rental expenses on premise for a subsidiary of the Company for a period of three and a half month. The monthly rental was approximately HK\$327,000.

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

35. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at 31 March 2014 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

The Group's investment properties of HK\$315,000,000 (2013: HK\$304,000,000) are measured at Level 2 of the fair value hierarchy.

During the year ended 31 March 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Description of the valuation techniques and inputs used in Level 2 fair value measurement

As described in note 16, at the end of the reporting period, the investment properties were revalued by Savills Valuation and Professional Services Limited, an independent professional qualified valuer, on the open market value basis using direct comparison approach by making reference to the comparable market transactions as available in the markets assuming sale with the benefit of vacant possession. The most significant input into this valuation approach is market price per square foot.

36. COMMITMENTS

Commitments under operating leases – the Group as lessee

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

	2014 HK\$'000	2013 HK\$'000
In respect of leased properties:		
Within one year	6,083	3,009
In the second to fifth years inclusive	5,484	1,648
	11,567	4,657

Operating lease payments represented rental payable by the Group for certain of its office premises and retail shops. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

37. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Name	Country/place of incorporation/ operation and kind of legal entity in the PRC	Particulars of issued share capital/ registered capital	Percentage of effective equity interests held ¹	Principal activities
Ace Plus Global Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	Investment holding
Ground Data System Limited (formerly known as China Motion Data System Limited)	Hong Kong	2 ordinary shares of total HK\$2	100%	Property holding
Ground Holdings Limited (formerly known as China Motion Holdings Limited)	British Virgin Islands	100 ordinary shares of US\$1 each	100%	Investment holding

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

37. PRINCIPAL SUBSIDIARIES (continued)

Name	Country/place of incorporation/ operation and kind of legal entity in the PRC	Particulars of issued share capital/ registered capital	Percentage of effective equity interests held ¹	Principal activities
Ground Properties (HK) Limited (formerly known as China Motion Properties Limited)	Hong Kong	2 ordinary shares of total HK\$2	100%	Property holding
Jackie Industries Limited	Hong Kong	2 ordinary shares of total HK\$2	100%	Property holding
Victory Marker Limited	Hong Kong	10,000 ordinary shares of total HK\$10,000	100%	Investment holding
World Sheen Properties Limited	Hong Kong	2 ordinary shares of total HK\$2	100%	Property holding
上海錦翰銀通通信產品銷售有限公司	PRC, wholly foreign-owned enterprise	Paid-up capital RMB500,000 Registered capital RMB500,000	100%	Provision of distribution sales and management services
上海潤迅概念通信產品連鎖銷售有限公司	PRC	Paid-up capital RMB30,000,000 Registered capital RMB30,000,000	100%	Provision of retail sales and management services
上海宏億通信產品銷售有限公司	PRC	Paid-up capital RMB500,000 Registered capital RMB500,000	100%	Provision of distribution sales and management services

¹ All interests are held indirectly by the Company except for Ground Holdings Limited which is directly owned by the Company.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of 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.

No debts securities have been issued by the subsidiaries of the Company.

38. EVENTS AFTER THE REPORTING PERIOD

Share Consolidation

Following the passing of the ordinary resolution approving the Share Consolidation of every five (5) issued and unissued shares of HK\$0.01 each into one (1) consolidated share of HK\$0.05 each (the “Consolidated Share”) at the special general meeting held on 14 May 2014, the Share Consolidation became effective on 15 May 2014. Accordingly, the authorised share capital and the issued share capital of the Company were consolidated to HK\$780,000,000 divided into 15,600,000,000 shares of HK\$0.05 each and HK\$28,615,000 divided into 572,300,000 shares of HK\$0.05 each respectively. Details of the Share Consolidation were set out in the Company’s announcements 28 March 2014, 25 April 2014 and 14 May 2014 and the circular dated 25 April 2014.

Open Offer

On 28 March 2014, the Company proposed the open offer on the basis of one (1) offer share (the “Offer Share”) for every two (2) then shares at a price of HK\$0.20 per Offer Share (or HK\$1.00 per Consolidated Share). Upon completion on 28 May 2014, an aggregate of 286,150,000 Offer Shares were issued and approximate HK\$284,000,000 net proceeds were raised. The net proceeds from the Open Offer will be applied (i) as to not more than HK\$264,000,000 for developing the Group’s property investment business and (ii) as to the remaining for general working capital purposes. Details and results of the Open Offer were set out in the Company’s announcements dated 28 March 2014 and 28 May 2014 and the prospectus dated 7 May 2014.

39. COMPARATIVE FIGURES

Conforming to current year’s presentation, rental income of the property investment segment of HK\$3,792,000 that was included in other revenue has been reclassified under turnover. The revised presentation reflects more appropriately the nature of this item. This reclassification has no effect on the reported financial position, results or cash flows of the Group.

Schedule of Principal Properties

Particulars of principal properties held by the Group at 31 March 2014 are as follows:

INVESTMENT PROPERTIES

	Address	Lot No.	Category of the lease	Use	Percentage held by the Group
1.	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Aggregate of 40,505/728,680 th equal and undivided shares of and in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	100%
		The properties have a total gross floor area of approximately 40,505 sq.ft. and a total saleable area of approximately 30,522 sq.ft.			
2.	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Aggregate of 14/728, 680 th equal and undivided shares in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	100%



**GROUND
PROPERTIES**

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