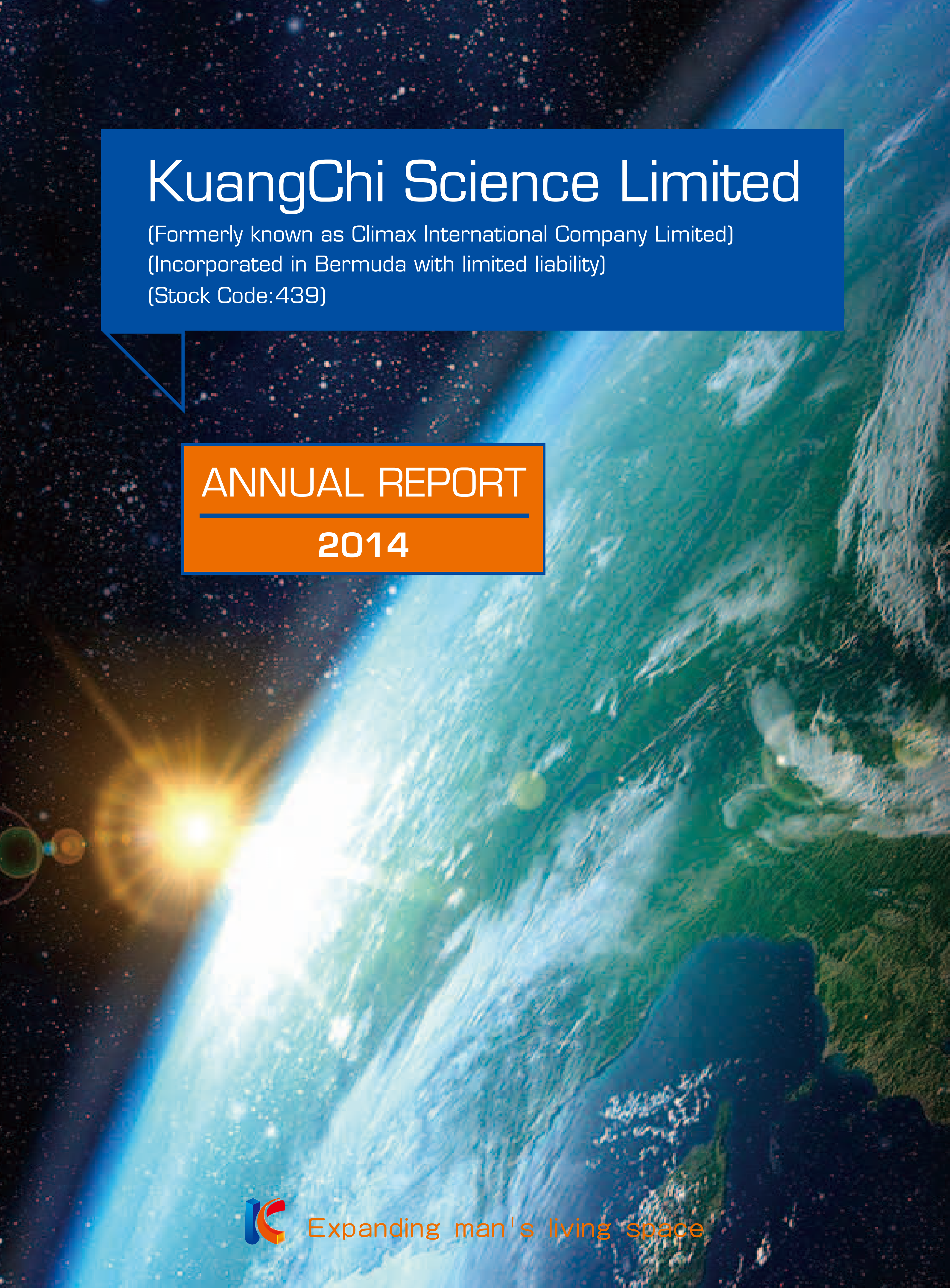

KuangChi Science Limited

(Formerly known as Climax International Company Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code:439)

ANNUAL REPORT
2014

Expanding man's living space

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Liu Ruopeng *(Chairman)*
Dr. Zhang Yangyang *(Chief Executive Officer)*
Dr. Luan Lin *(Chief Technology Officer)*
Mr. Ko Chun Shun, Johnson

Independent Non-executive Directors

Mr. Lau Man Tak
Dr. Liu Jun
Dr. Wong Kai Kit

AUDIT COMMITTEE

Mr. Lau Man Tak *(Chairman)*
Dr. Liu Jun
Dr. Wong Kai Kit

REMUNERATION COMMITTEE

Dr. Liu Ruopeng *(Chairman)*
Dr. Liu Jun
Dr. Wong Kai Kit

NOMINATION COMMITTEE

Dr. Wong Kai Kit *(Chairman)*
Dr. Zhang Yangyang
Dr. Liu Jun

COMPANY SECRETARY

Mr. Chan Ming Kei

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
2 Church Street, Hamilton HM11
Bermuda

HEAD OFFICE IN HONG KONG

Unit 906, 9/F, Wings Building
110–116 Queen's Road Central
Central, Hong Kong

Tel: (852) 3970 4060
Fax: (852) 3970 4065
Website: www.climaxintl-co.com

HEAD OFFICE IN THE PRC

2/F, Software Building
No. 9 Gaoxin Zhong 1 st Road
Nanshan District, Shenzhen
Guangdong Province, PRC
Postal code: 518057
Tel: (86) 0755 8664 9703
Fax: (86) 0755 8664 9700

REGISTRARS

Hong Kong

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

Bermuda

Codan Services Limited
2 Church Street, Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Company Limited

STOCK CODE

439

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I would like to present the annual results of KuangChi Science Limited (the "Company") and its subsidiaries (the "Group") for the nine months period ended 31 December 2014 ("Period").

2014 was a significant year for the Company. On 22 August 2014, the Company completed the subscription, appointed new Directors to the Board and the name of the Company changed to KuangChi Science Limited. Upon completion of the subscription, the Group has brought in Kuang-Chi Innovative Technology Limited ("Kuang-Chi") as a strategic shareholder who has extensive experience, strong expertise and a wide business network in the near space and other innovative technology industry in the PRC. With the experience and expertise bringing in by the new management team, the Group established a new business segment relating to the novel space services and other innovative technology industry (the "Novel Space Services Segment"). On 22 August 2014, the Group has entered into the Outsourcing Technology Development Agreement ("OTDA"), pursuant to which, the Group appointed Kuang-Chi as developer to research and develop a civil near space flying apparatus, namely the Traveller. Relevant technologies and materials of the Traveller have been delivered to the Group by 31 December 2014. We are planning to launch the Traveller in New Zealand by the first half year of 2015.

Since September 2014, the Group has been actively preparing and initiating the commercialisation of the Novel Space Services Segment. On 29 September 2014, the Company completed a further subscription of shares by other subscribers. The net proceeds received in respect of this subscription were approximately HK$1,561 million for use of further expansion of and research and development expenses for the Novel Space Services Segment of the Group. During the Period, the Group has entered into certain cooperation agreements with various corporates and organisations including, but not limited to, certain governmental organisations of the PRC, of the Democratic Republic of the Congo and of New Zealand, Pengxin International Mining Company Limited which is a listed company on the Shanghai Stock Exchange, other aerospace institutes, aviation services providers, logistic companies and bankers, etc. We believe that the establishment of the business relationships with the above parties represented great opportunities to demonstrate the technical feasibility and competence of the Group and to commercialize the Novel Space Services Segment to broaden the revenue base of the Group.

On 19 December 2014, the Company has entered into an investment agreement with Martin Aircraft Company Limited ("MACL") to subscribe in aggregate 52% of its enlarged issued share capital by stage. We are very excited that MACL has finally listed on the Australia Stock Exchange on 24 February 2015 and we have become the largest shareholder of MACL. The Group and MACL both share the common vision as to develop disruptive technologies to benefit human beings and the world. We believed the cooperation between the Group and MACL would bring unprecedented novel space services to the world. Through the investment in MACL, the Group can share the advance technologies to MACL, as well as, the Group can also benefit from the aviation and flying technology from MACL for the development of our flying apparatus for different altitudes. Furthermore, the Group can also establish a new research and development centre in Australia and New Zealand region and also to facilitate and support the launch of the Traveller in New Zealand by the first half year of 2015.

CHAIRMAN'S STATEMENT

On 22 December 2014, the Group has officially opened the Shenzhen Apollo Base. Subsequently in February 2015, the Cloud, a flying platform providing integrated services including WiFi communication, ground monitoring, collection of maritime big-data and analysis, was successfully launched in the Shenzhen Apollo Base. The Cloud covered an area of approximately 8,000 square kilometres and the maritime surveillance equipment collected real-time maritime information within the peripheral area of more than 200 kilometres from Shenzhen for 2,103 vessels on water sailing from 28 countries. Compared to the traditional platform, the water area under the surveillance of the Cloud is enlarged by 9 times. The Group will speed up the optimisation and commissioning of the Cloud space technology and eventually accelerate its future business development.

Looking forward, the Group will further put forward the progress of our disruptive innovations, marketing activities and global acquisitions, so as to set up its strategic position in the innovative industry and global markets.

I would like to take this opportunity to express my deepest gratitude to all the shareholders, customers, business partners and my fellow directors, management team and staff to the Group for their support and contributions to the Group throughout the year.

Dr. Liu Ruopeng
Chairman
Hong Kong, 26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF FINANCIAL YEAR END DATE

The financial year end date of the Company has been changed to 31 December of each year in order to align with the financial year end date of its subsidiaries incorporated in the PRC. Therefore, the financial year end date of the period under review was 31 December 2014 and the results of the Group contained in the audited consolidated financial statements covered the results for nine months period from 1 April 2014 to 31 December 2014. The corresponding comparative amounts for the results covered a twelve-month period from 1 April 2013 to 31 March 2014 were used for discussion purpose in this section.

PERFORMANCE REVIEW AND PROSPECTS

During the nine months period ended 31 December 2014 ("Period"), the Group has been principally engaged in the novel space services and other innovative technology business, the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials ("Paper Business") and the property investment segment.

During the Period, the Group recorded a turnover of approximately HK$79,464,000 (year ended 31 March 2014: HK$113,433,000) and the Group's loss attributable to owners was approximately HK$153,535,000 (year ended 31 March 2014: loss attributable to owners of approximately HK$37,908,000).

Novel Space Services and other Innovative Technology Business

During the Period, the Group has established the novel space services and other innovative technology business segment ("Novel Space Services Segment"). The Group applies the technology developed in respect of the civil near space flying apparatus to provide various novel space services, including but not limited to telecommunication, mineral exploration, meteorological observations and surveillance, space tourism and disaster detection, etc.

During the Period, the revenue generated from the Novel Space Services Segment was approximately HK$9,224,000. During the Period, research and development expenses incurred were approximately HK$63,968,000, in which approximately HK$55,000,000 was incurred pursuant to the Outsourcing Technology Development Agreement ("OTDA") entered into with Kuang-Chi Innovative Technology Limited ("Kuang-Chi") on 22 August 2014.

Pursuant to the OTDA, the Group appointed Kuang-Chi, a strategic shareholder, as developer to research and develop a civil near space flying apparatus, namely the Traveller, with a volume of not less than 10,000 cubic metre, which shall be equipped with communication facilities to be used in the range from ground level to near space and shall be able to fly at no less than 20 kilometres above sea level. The agreed level of testing and delivery of the relevant technologies and materials have been completed by 31 December 2014. The management considered the research and development of the Traveller as at 31 December 2014 was still in the research phases according to appropriate accounting standard, the contract sum of approximately HK$55,000,000 was recognized as research expenses for the nine months period ended 31 December 2014.

During the Period, the Group and Pengxin International Mining Company Limited ("Pengxin") entered into cooperation agreements. According to the cooperation agreements, the Group will provide consultation services to Pengxin on various novel space services and other innovative technology solutions in the Democratic Republic of the Congo. Certain portion of the consultation works and its direct related costs were incurred up to 31 December 2014, the relevant portion of the consultation fee received was recognised as revenue according to the stage of completion of the consultation works. As a result, net results of approximately HK$66,537,000 (year ended 31 March 2014: Nil) was incurred in this segment.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, our management team has met with the president of the Democratic Republic of the Congo, the Group and Pengxin entered into a cooperation agreement with the government of the Democratic Republic of the Congo (the "Congo Government"), pursuant to which, the Congo Government will provide with the supports and resources to the Group and Pengxin for the provision of the novel space services and solutions in the Democratic Republic of the Congo. Furthermore, witnessed by the president of the PRC and the prime minister of New Zealand, the Group and Pengxin have also entered in to a memorandum of understanding with Airways Corporation of New Zealand Limited for the test launch of the Traveller and the provision of consultations in New Zealand. As at the date of this report, our management team is negotiating with the counterparties and planning ahead together for the definitive plan and terms for the deployment of the novel space services and solutions in the future.

Other than the above mentioned, the Group has entered into other cooperation agreements with the Weather Department of Shenzhen City for the cooperation on metrological projects for five years and with the Shanghai Institute of Space Systems Engineering of China Aerospace Science and Technology Corporation for the cooperation on near space manned spaceflight and space travel projects for five years. Subsequently in 2015, the Group has also entered into cooperation agreements with The Export-Import Bank of China and China Citic Bank Corporation Limited which enabled the Group for long-term and stable credit facilities for future business development and overseas expansion of the Group. After the successful test launch of the Cloud in February 2015, the Group has also entered into a cooperation agreement with Parakou Shipping Limited for development of marine solutions and for conducting further commercial testing. Subsequently, the Group has also entered into cooperation agreement with Dr. Peng Telecom & Media Group Co., Ltd for establishment of innovative technology platform and wireless communication platform as well as the cooperation in the operation service of OTT (Over The Top).

On 19 December 2014, the Company has entered into an investment agreement with Martin Aircraft Company Limited ("MACL") to subscribe in aggregate 52% of its enlarged issued share capital by stage. MACL has finally listed on the Australia Stock Exchange on 24 February 2015 and the Company has become the largest shareholder of MACL. MACL aims at developing a practical jetpack and is currently in the final design stage. The Group and MACL will incorporate joint venture companies in the PRC and Hong Kong which will principally be engaged in research and development of the jetpacks and the sale and distribution of jetpacks in the PRC and Hong Kong.

The management believes that the establishment of the business relationships with the above parties represented great opportunities to demonstrate the technical feasibility and competence of the Group and to commercialize the Novel Space Services Segment to broaden the revenue base of the Group. The Group committed to develop the novel space technology for space flying at different altitudes, launching certain disruptive innovations and external collaboration. Looking forward, the Group will further put forward the progress of our disruptive innovations, marketing activities and global acquisitions, so as to set up its strategic position in the innovative industry and global markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Paper Business

During the Period, the turnover contributed by the Paper Business was approximately HK$69,737,000 (year ended 31 March 2014: HK$112,648,000). The decrease of turnover was mainly due to the weakening global demand and fierce competition in the printing and packaging industry. With the increase in labour and other production costs experienced during the Period, the segment results from the Paper Business have further dropped. The management are of the view, the estimated sales orders in the ensuring year has dropped and the profit margins of the products would further deteriorate, which is also due to the recent announcement about the adjustment of minimum wages in Shenzhen City with effect from 1 March 2015, comparing with what the directors previously expected, the Group has revised its cash flow forecast for the Paper Business cash-generating unit ("CGU").

With reference to the valuation reports issued by an independent external valuer, the directors have made a further impairment loss of approximately HK$34,160,000 (year ended 31 March 2014: HK$36,393,000) in respect of the carrying amount of the goodwill, which was arising from the acquisition of the Paper Business during the year ended 31 March 2013. As a result, the segment loss before finance costs and relevant tax expenses of approximately HK$36,131,000 was recorded (year ended 31 March 2014: HK$29,687,000).

During the Period, the Group has experienced a downturn of the paper and packaging industry in terms of delays in placement of orders received and even decrease in order quantity. Although there is slow recovery in some of the regions, e.g. U.S.A., the world economy still faces a prolonged period of sluggish growth. The Euro zone is still suffering from high unemployment rate and low inflation as well as the expectation of a slower growth in China over the medium term than in the recent past. Salaries and wages accounted for the major costs of the paper business, the increase in minimum wages as announced in 2015 will further adversely affect the profitability of the whole industry. Therefore, management will continue to seek for more stringent cost control measures to keep the profitability level, including but not limiting to streamline and simplify the production process or outsource certain processes to sub-contractors. Management expects the printing and packaging industry will most likely remain weak and unpredictable in the coming future.

Despite the difficulties in the current operating environment for the Paper Business, the Group will also continue to improve the efficiency and output quality, maintain good relationships with existing customers and at the same time will promote its products and services to new customers to broaden its customer base.

Property Investment

The Group holds the properties for investment purpose with a view that it can establish recurring rental income, while capture any possible future capital appreciation. For the period ended 31 December 2014, leasing income of approximately HK$503,000 (year ended 31 March 2014: HK$785,000) was recognised. During the Period, the Group has entered into sales and purchase agreements with independent third parties to dispose an investment property. The disposal was completed in November 2014. A gain on change in fair value of investment property of approximately HK$108,000 is recognised in the Period (year ended 31 March 2014: loss on change in fair value of investment property HK$106,000). As a result, a segment profit of approximately HK$65,000 incurred (year ended 31 March 2014: HK$667,000).

The Group will closely monitor the conditions of the property market and prepare to respond swiftly and take advantage of the market adversities to seize upon further suitable investment opportunities to provide tremendous value to shareholders.

Other Results

During the Period, the Group has disposed the land use right in Huizhou City through the disposal of entire issued capital of Miracle True Investment Limited to an independent third party, the gain on disposal of assets through disposal of a subsidiary was approximately HK$3,303,000. During the Period, the Group also placed fixed deposits and pledged deposits, interest income earned on the deposits was approximately HK$6,015,000 (year ended 31 March 2014: HK$310,000).

During the Period, the Company has granted share options to directors and employees of the Group, the relevant share-based payment expenses for the Period was approximately HK$18,138,000 (year ended 31 March 2014: Nil), of which approximately HK$6,739,000 has been allocated to the Novel Space Services Segements. During the Period, the Company has recognised the financial advisory fee in respect of the acquisition of Martin Aircraft Company Limited and other services for approximately HK$30,126,000. Details of the acquisition and the relevant financial advisory fee were disclosed in the announcement of the Company dated 19 December 2014, 31 December 2014 and 23 February 2015. Net exchange loss of approximately HK$12,362,000 was recognised during the Period (year ended 31 March 2014: HK$1,119,000) and it was mainly due to the significant depreciation of RMB to HKD in the second half of 2014.

CAPITAL STRUCTURE

Subscription completed on 22 August 2014

On 29 May 2014, the Company and New Horizon Wireless Technology Limited ("New Horizon") and other investors ("Subscribers") entered into a subscription agreement ("Subscription Agreement"), pursuant to which the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 subscription shares, comprising 1,666,666,668 new ordinary shares and 2,683,333,332 new preferred shares (including 1,341,666,666 Tranche A Preferred Shares and 1,341,666,666 Tranche B Preferred Shares) at an issue price of HK$0.08 per subscription share. The aggregate gross subscription price amounts to approximately HK$348,000,000. The total net proceeds is approximately HK$327,000,000, of which net proceeds of approximately HK$123,000,000 have been received on 22 August 2014, and the remaining net proceeds of approximately HK$204,000,000 are receivable according to the terms and conditions set out in the Subscription Agreement. Upon completion of this subscription on 22 August 2014, the Company issued 1,666,666,668 ordinary shares and 2,683,333,332 preferred shares to the Subscribers. Upon completion of this subscription, New Horizon (together with its beneficial owners, namely Wireless Connection Innovative Technology Limited, Kuang-Chi Innovative Technology Limited, Shenzhen Dapeng Kuang-Chi Technology Limited, Shenzhen Dapeng Kuang-Chi Lianzhong Technology (Limited Liability Partnership) and Shenzhen Kuang-Chi Hezhong Technology Limited and Dr. Liu Ruopeng) became interested in 1,133,333,334 ordinary shares (respresented approximately 36.37% of the issued share capital as on 22 August 2014) and 1,824,666,666 preferred shares of the Company.

Subsequently on 17 February 2015, the Company has received approximately HK$102,000,000 from the Subscribers and the Tranche A Preferred Shares were fully paid up as at that date.

Details of the subscription and subscribers were disclosed in the circular of the Company dated 29 July 2014 and announcements dated 13 June 2014, 22 August 2014 and 17 February 2015.

Subscription completed on 29 September 2014

On 12 September 2014, 14 September 2014 and 15 September 2014, the Company entered into subscription agreements pursuant to which the Company has conditionally agreed to allot and issue aggregate 289,900,000 ordinary shares at the subscription price of HK$5.386 per share. The 26 subscribers who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons. The subscription of ordinary shares was completed on 29 September 2014 and the net proceeds received in respect of this subscription were approximately HK$1,561,401,000.

Details of the subscription were disclosed in the announcements of the Company dated 15 September 2014 and 29 September 2014.

Use of proceeds

The total proceeds from the subscriptions during the Period were approximately HK$1,888,401,000. Approximately HK$204,000,000 has not yet received up to 31 December 2014 according to the terms of the Subscription Agreement. Below is an analysis for the status of use of proceeds from subscriptions up to the end of the Period:

Intended use of proceeds	Total proceeds received	Reclassification	Used up to 31 December 2014	Remaining proceeds as at 31 December 2014
		(note)		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Payments for the OTDA	55,000	–	(55,000)	–
Acquisition of land site and construction of manufacturing facilities and expansion of production capacity for the Novel Space Service Segment	1,090,000	–	(30,860)	1,059,140
Research and development for products and expenses for the Novel Space Service Segment	535,000	(300,000)	(8,968)	226,032
General working capital	208,401	–	(10,509)	197,892
Global merger and acquisition of novel space services industry and products	–	300,000	(139,590)	160,410
Less: Proceeds not yet received	(204,000)	–	–	(204,000)
	1,684,401	–	(244,927)	1,439,474

Note:

In relation to the recent acquisitions of MACL and the proposed acquisition of Solar Ship Inc. (which is further discussed in the section of "Investment position and planning"), the management considers these acquisitions can accelerate the research and development stage for the Cloud and the Traveller by exchange of experience and technology among the research and development teams of the group, jetpacks and solar ships. Furthermore, our services can extend to different altitude from hundred meters above the ground to the near space. Therefore, the management considers the Novel Space Services Segment will be benefited from the acquisition and considers reclassification for approximately HK$300,000,000 from the originally intended use for research and development of products and expenses for the Novel Space Services Segment to the use for global merger and acquisition of novel spaces services related industry or products and fund the above acquisitions or other relevant potential acquisitions. The management may use the internal resources, seek external financing or further consider change of the use of intention to fund the remaining amounts of the above acquisitions or any other development when necessary.

The unused proceeds up to 31 December 2014 were approximately HK$1,439,474,000. The management will use the remaining proceeds as intended including for the use for merger and acquisition as discussed above.

The management closely monitors the cash level of the Company to balance the return on capital and the liquidity level of the Group. Subsequent to the Period, the Group has further paid for approximately HK$38,070,000 for the acquisition of MACL. The acquisition of MACL will further require for approximately AUD23,000,000 (equivalent to approximately HK$145,970,000). On 25 March 2015, the Group further subscribed the new shares of Zhejiang Longsheng Automotive Parts Stock Limited Corporation with consideration of approximately RMB300,000,000 (equivalent to approximately HK$375,000,000), and the proposed acquisition of Solar Ship Inc. would further require about CAD42,000,000 (equivalent to approximately HK$282,000,000).

The below discussion provides update for the use of acquisition of land site and construction of manufacturing facilities and expansion of production capacity for the Novel Space Service Segment:

(1) As stated in the announcement of the Company dated 29 September 2014, the Group was currently negotiating with relevant government departments for an acquisition of a piece of land for the construction of facilities and expansion of production capacity relating to near space and other innovative technology business. Based on the negotiation between the Group and the relevant government departments, the management expects that approximately HK$330,000,000 would be paid for the acquisition of this piece of land with an area of approximately 600,000 square metres by 31 December 2014 subject to the approval by the relevant government departments. The land acquisition cost is estimated by the management with reference to the area under negotiation and the latest information issued by the relevant government departments with listed prices of the relevant land site. As at the date of this report, the relevant administrative procedures are undergoing and the acquisition of the land site has been postponed. The management expects that the land use right will be granted through official government procedures in the first half of 2015. The final price and area of the land are subject to the final decision of the relevant government departments.

(2) As stated in the announcement of the Company dated 29 September 2014, the management expected that at least HK$39,000,000 would be paid to contractors and suppliers for construction contracts and for acquisition of plant and machineries. As at 31 December 2014, approximately HK$30,860,000 was paid for acquisition of plant and equipment and further contracts for approximately amounted HK$18,317,000 and disclosed under the section of capital commitment. The management considers the delay of order for the plant and equipment compared to the plan as previously disclosed was due the time spent on tailoring the specification of the equipment to cope with the quick evolution of technology and requirements of the development plan. The Group is continuing seeking for appropriate suppliers to purchase the relevant equipment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the total shareholders' funds of the Group amounted to approximately HK$1,718,241,000 (31 March 2014: HK$167,165,000), the total assets of approximately HK$1,936,751,000 (31 March 2014: HK$189,715,000) and the total liabilities of approximately HK$218,510,000 (31 March 2014: HK$22,550,000).

As at 31 December 2014, the Group had bank balances and cash of approximately HK$1,485,818,000 (31 March 2014: HK$44,324,000), and the Group had pledged deposits of approximately HK$187,575,000 (31 March 2014: Nil). The gearing ratio as of 31 December 2014, defined as the percentage of the total interest bearing debt, including bank borrowings of approximately HK$140,000,000 (31 March 2014: HK$5,754,000) and obligations under finance leases of approximately HK$1,633,000 (31 March 2014: HK$2,683,000), to net asset value, was approximately 8.24% (31 March 2014: 5.05%).

The Group's business operations and investments are in PRC, Hong Kong and New Zealand. Bank Balances and cash as at 31 December 2014 denominated in local currency and foreign currencies mainly included HK$11,824,000, RMB1,295,049,000 and USD5,501,000 respectively. All the outstanding balances of borrowings and obligations under finance leases are denominated in HKD. Other than described above, most of the assets, liabilities and transactions of the Group are primarily denominated in HKD and RMB. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

INVESTMENT POSITION AND PLANNING

Disposal of investment shares

At 31 March 2014, the Group held shares which are trade on the Stock Exchange of Hong Kong with fair value of approximately HK$4,260,000. During the Period, the Group has disposed the shares and a gain on changes in fair value of the held for trading investment of approximately HK$505,000 (year ended 31 March 2014: loss on changes in fair value of held for trading investment approximately HK$672,000) was recognised.

Acquisition of MACL

On 19 December 2014, the Company and MACL have entered into an investment agreement ("Investment Agreement"). Pursuant to the Investment Agreement, upon MACL fulfilling the condition ("Condition") including but not limited to be admitted to the official list of ASX Limited, the Company will (i) acquire up to 15,000,000 ordinary shares of MACL at an issue price of AUD0.40 per share from certain shareholders of MACL; (ii) subscribe for 40,813,636 new ordinary shares in MACL at an issue price of AUD0.40 per share; (iii) subscribe for convertible securities that is convertible into 37.74% of the enlarged share capital in aggregate to the shares subscribed in above (i) and (ii) for an amount of AUD23 million (equivalent to approximately HK$145,970,000); and (iv) incorporate a company ("HKCo") together with MACL for the development of MACL's jetpack business in the PRC and Hong Kong, owned 51% by the Company and 49% by MACL. At any time prior to 19 June 2017, the Company shall have the option to sell its 51% equity interest in HKCo to MACL which shall be satisfied by way of allotment and issuance of the swap shares. The swap shares can be exchanged for up to 52% of the enlarge issued share capital in aggregate to the shares subscribed and converted in above (i), (ii) and (iii) respectively in MACL.

Pursuant to the Investment Agreement, as at 31 December 2014, the Company paid a deposit on escrow for approximately AUD21 million (equivalent to approximately HK$133,277,000), where the deposit would be returned to the Company should MACL not meet the Condition set out in the Investment Agreement.

Subsequently in February 2015, the Condition was fulfilled and the Company completed the acquisition of 14,950,000 existing shares of MACL and subscription of MACL's 40,813,636 Shares at an aggregated consideration of approximately AUD22.3 million (equivalent to approximately HK$141,527,000). After the transaction, the Company holds approximately 22.82% of the total shares in MACL, which became an associate of the Company.

Proposed acquisition of Solar Ship Inc.

On 20 December 2014, the Company and Solar Ship Inc. ("Solar Ship") entered into two non-binding letters of intent which contemplate that, subject to the occurrence of certain events and the satisfaction of certain conditions summarized below, the Company will subscribe for new common shares in Solar Ship representing 32.58% of the outstanding common shares of Solar Ship on a fully diluted basis for consideration of Canadian dollars ("CAD") 17 million (equivalent to approximately HK$114,000,000) on or before 30 January 2015 and will subscribe for additional common shares of Solar Ship resulting in the Company holding 54.42% of the outstanding common shares of Solar Ship on a fully diluted basis (in aggregate) for consideration of CAD25 million (equivalent to approximately HK$168,000,000) on or before 30 July 2016. The letters of intent contemplate that the parties will enter into the definitive agreements on or before 10 January 2015. The letters of intent further specify that the definitive agreements would provide for customary conditions to closing, including the completion of satisfactory due diligence and the receipt of all required regulatory approvals.

As at the date of this report, the proposed investment is still under process.

Saved as disclosed above and disclosed in section Other Results under Performance Review and Prospects of this announcement, the Group did not have any other significant investment and there are no other material acquisition or disposal of subsidiaries and associated company during the Period.

EVENT AFTER THE REPORTING PERIOD

Subsequently on 25 March 2015, the Group and Zhejiang Longsheng Automotive Parts Stock Limited Corporation ("Longsheng") entered into the subscription agreement, pursuant to which Longsheng has conditionally agreed to issue, and the Group has conditionally agreed to subscribe 41,958,041 new shares of Longsheng ("Longsheng Shares") at the consideration of RMB300,000,000 (equivalent to approximately HK$375,000,000). The 41,958,041 new Longsheng Shares represent approximately 3.21% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under this Subscription.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2014, certain assets of the Group were pledged to secure banking facilities granted to the Group and obligation under finance lease as follows:

	31 December 2014 *HK$'000*	31 March 2014 *HK$'000*
Investment properties	**–**	13,000
Plant and equipment under finance lease	**4,543**	6,953
Pledged deposit	**187,575**	–
	192,118	19,953

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no significant contingent liabilities (31 March 2014: Nil).

CAPITAL COMMITMENT

As at 31 December 2014, the Group has capital commitments as below:

	31.12.2014
	HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of the acquisition of:	
Plant and equipment	18,317
A company	190,380
	208,697

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 820 employees. The Group provides competitive remuneration packages to employees with the share option scheme and the restricted shares award scheme. The Group also provides attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Liu Ruopeng, aged 31, is currently the chairman and executive Director of the Company and also the chairman of nomination committee of the Company. Dr. Liu joined the Group in August 2014. Dr. Liu has been the president of Kuang-Chi Institute of Advanced Technology, a private not-for-profit research organisation which is focused in science research since 2010. Dr. Liu is a member of the Standing Committee of Shenzhen Youth Federation, is the Vice Chairman of Shenzhen Federation of Industry and Commerce since 2012 and is the Vice President of Shenzhen Youth Chamber of Commerce since 2013. He has also been a member of the First Shenzhen-Hong Kong Youth Consulting Committee for Authority since 2014. Dr. Liu was awarded "4th May Youth Excellence Award in China" in 2014 and awarded "Guangdong News-Focus People Top 10" in 2011. Dr. Liu was awarded a master's degree and a doctorate degree in electrical and computer engineering by Duke University, U.S.A. in 2009 and a bachelor's degree in electrical engineering by Zhejiang University, China in 2006. Dr. Liu has been appointed as an executive director of Martin Aircrift Company Limited, a company listed on Australia Stock Exchange (Security code: MJP), with effect from 24 February 2015. Dr. Liu has extensive experience in research and development of advanced technologies and business network in relation to the near space and other innovative technology industry.

Dr. Zhang Yangyang, aged 35, is currently the chief executive officer and executive Director of the Company and also a member of remuneration committee of the Company. Dr. Zhang joined the Group in August 2014. Dr. Zhang has been the executive vice president of Kuang-Chi Institute of Advanced Technology since 2010. Dr. Zhang has been the Vice President of Shenzhen Young Science and Technology Talents Association since 2012. Dr. Zhang was awarded a doctorate degree by the Department of Engineering Science, University of Oxford, United Kingdom in 2008, and a master's degree and a bachelor's degree by the Department of Electronic Engineering, Northeastern University, Shenyang, China in 2004 and 2002 respectively. Dr. Zhang has been appointed as an executive director of Martin Aircrift Company Limited, a company listed on Australia Stock Exchange (Security code: MJP), with effect from 24 February 2015. Dr. Zhang has extensive experience in research and development of advanced technologies and business network in relation to the near space and other innovative technology industry.

Dr. Luan Lin, aged 35, is currently the chief technology officer and executive Director of the Company. Dr. Luan joined the Group in August 2014. Dr. Luan has been the vice president of Kuang-Chi Institute of Advanced Technology since 2010. Dr. Luan obtained a doctorate degree from Duke University, the United States of America in 2010 and a master's degree from Peking University, the PRC in 2004. Dr. Luan has extensive experience in research and development of advanced technologies and business network in relation to the near space and other innovative technology industry.

Mr. Ko Chun Shun, Johnson, aged 63, is currently an executive Director of the Company. Mr. Ko joined the Group in August 2014. Mr. Ko has extensive experience in a variety of activities, including manufacturing, securities trading, international trade, electronics and the renewable energy industry. He also has extensive experience in corporate finance, corporate restructuring and mergers and acquisitions. Mr. Ko is the chairman and an executive director of both REORIENT Group Limited (stock code: 376) and Varitronix International Limited (stock code: 710); the vice chairman and an executive director of Concord New Energy Group Limited (formerly known as China WindPower Group Limited) (stock code: 182); and the deputy chairman and an executive director of Frontier Services Group Limited (stock code: 500), the shares of which are listed on the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Man Tak, aged 45, is currently an independent non-executive Director of the Company and also the chairman of audit committee of the Company. Mr. Lau joined the Group in 2008. Mr. Lau holds a bachelor degree in Accountancy from The Hong Kong Polytechnic University. Mr. Lau has more than 20 years in corporate finance, accounting and auditing. Mr. Lau is an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Securities and Investment Institute and a fellow member of The Hong Kong Institute of Directors. Mr. Lau is currently an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), AMCO United Holding Limited (stock code: 630) and Sincere Watch (Hong Kong) Limited (stock code: 444). Mr. Lau was the chairman and an executive director of Aurum Pacific (China) Group Limited (stock code: 8148) from June 2012 to September 2014, an executive director and chief financial officer of China Sandi Holdings Limited (stock code:910) from April 2010 to September 2012, an independent non-executive director of Kong Sun Holdings Limited (Stock code: 295) from September 2008 to April 2014.

Dr. Liu Jun, aged 50, is currently an independent non-executive Director of the Company and also a member of the audit committee, nomination committee and remuneration committee of the Company. Dr. Liu joined the Group in August 2014. Dr. Liu was appointed a professor of statistics at Harvard University in 2000 and has written research papers and publications about Markov chain Monte Carlo algorithms. Dr. Liu received a number of awards including The Committee of Presidents of Statistical Societies 2002 Presidents' Award in 2002 and the Morningside Gold Medal in Mathematics in 2010. Dr. Liu was elected as a fellow of the Institute of Mathematical Statistics in 2004 and the American Statistical Association in 2005. Dr. Liu obtained a doctorate degree from The University of Chicago, the United States of America in 1991.

Dr. Wong Kai Kit, aged 41, is currently an independent non-executive Director of the Company and also the chairman of remuneration committee and a member of audit committee and nomination committee. Dr. Wong joined the Group in August 2014. Dr. Wong was appointed a reader at the Department of Electronic and Electrical Engineering, University College London, United Kingdom in October 2011. Dr. Wong had other teaching and research roles in universities and education institutes in Hong Kong, the United States of America and the United Kingdom. Dr. Wong is a senior member of The Institute of Electrical and Electronics Engineers Inc. ("IEEE") and is also on the editorial board of IEEE Wireless Communications Letters, IEEE Communications Letters, Journal of Communications and Networks, and IET Communications. He is the senior editor for the IEEE Communications Letters. Dr. Wong obtained a doctorate degree, a master's degree and a bachelor's degree from the Hong Kong University of Science and Technology, Hong Kong, in 2001, 1998 and 1996 respectively.

COMPANY SECRETARY

Mr. CHAN Ming Kei, aged 32, is the company secretary of the Company and is responsible for the accounts and company secretarial functions of the Group. Mr. Chan graduated from the Hong Kong University of Science and Technology with a bachelor degree in Business Administration in Accounting and is a member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in June 2012 and has over 9 years of working experiences in the field of accounting, auditing and financial management.

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company and the Group for the nine months period ended 31 December 2014 ("Period").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries include i). provision of novel space services and other innovative technology business; ii). manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials; and iii). property investment.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the Period, the Group's five largest suppliers and the largest supplier accounted for approximately 73% and 61% respectively of the Group's total purchases including consultancy fee in relation to research and development expenses.

At 31 December 2014, Dr. Liu Ruopeng, an executive director of the Company, had beneficial interest in the largest supplier of the Group for the consultancy fee of approximately HK$55,000,000 pursuant to the Outsourcing Technology Development Agreement ("OTDA") entered between the Company and Kuang-Chi Innovative Technology Limited. The transaction between the Group and the supplier concerned were carried out on normal commercial terms. The Outsourcing Technology Development Agreement does not fall into the definition of a connected transaction for the purposes of Chapter 14A of the Listing Rules, the basis is disclosed in the section of "Continuing Connected Transactions and Connected Transactions".

During the Period, the Group's five largest customers accounted for approximately 66% of the Group's total sales. The largest customer accounted for approximately 27% of the Group's total sales.

At 31 December 2014, Mr. Ng Man Chan, an executive director of the Company, had beneficial interest in the largest customer of the Group. All transactions between the Group and the customer concerned were carried out on normal commercial terms. Details of the transactions are disclosed in the section of "Continuing Connected Transactions and Connected Transactions" on page 19. Mr. Ng Man Chan resigned as executive director of the Company with effect from 27 February 2015.

Save at disclosed above, none of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors, own more than 5% of the Company's issued share capital has a beneficial interest in any of the Group's five largest suppliers and customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the Period ended 31 December 2014 are set out in the consolidated financial statements on page 38.

The directors do not recommend the payment of any dividend in respect of the Period ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Group during the Period are set out in the consolidated statement of changes in equity on page 41 and other details of the reserves of the Company are set out in note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK$1,908,327,000, may be distributed in the form of fully paid bonus shares.

FIXED ASSETS

Details of movements in the Group's plant and equipment, investment properties and prepaid lease payments during the Period are set out in notes 15, 16 and 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Period are set out in note 27 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years/period is set out on page 106.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

The directors during the Period and up to the date of this report were:

BOARD OF DIRECTORS

Executive Directors

Dr. Liu Ruopeng[#] *(Chairman)*[#1]
Dr. Zhang Yangyang[#] *(Chief Executive Officer)*[#1]
Dr. Luan Lin[#] *(Chief Technology Officer)*[#1]
Mr. Ko Chun Shun, Johnson[#]
Mr. Wong Hin Shek[Δ] *(Chief Executive Officer)*[Δ]
Mr. Ng Man Chan[Δ1]

Non-executive Director

Mr. Wong Hung Ki[Δ1]

Independent Non-executive Directors

Mr. Lau Man Tak
Mr. Man Kwok Leung[Δ]
Dr. Wong Yun Kuen[Δ]
Dr. Liu Jun[#]
Dr. Wong Kai Kit[#]

[#] Appointed on 22 August 2014
[Δ] Resigned on 23 August 2014
[#1] Appointed on 26 August 2014
[Δ1] Resigned on 27 February 2015

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Zhang Yangyang and Dr. Liu Jun will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Company are set out on pages 14 to 15.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed under the section of "Continuing Connected Transactions, Connected Transactions and Other Related Party Transactions", no contracts of significance in relation to the Group's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted during or at the end of the Period.

CONTINUING CONNECTED TRANSACTIONS, CONNECTED TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS

Continuing Connected Transactions

During the Period, the Group had the following continuing connected transactions:

On 29 February 2012, a master agreement ("Previous Master Agreement") was entered into between Sky Will Group and New Spring Label & Packaging Limited ("New Spring Label") for the provision of the printing and production of paper packaging and promotional products and materials ("Services") for the three years ending 31 March 2015. Since Mr. Ng Man Chan ("Mr. Ng") was an executive Director of the Company until 26 February 2015 and New Spring Label is beneficially owned as to 20% by Mr. Ng and as to 30% by the spouse of Mr. Ng, the transactions contemplated under the Previous Master Agreement constitute continuing connected transactions under the Listing Rules.

Pursuant to the approval obtained at the special general meeting of the Company held on 6 December 2013, the previous annual caps for the provision of the Services under the Previous Master Agreement for the years ending 31 March 2014 and 2015 were HK$50 million and HK$60 million respectively.

Since the term of the Previous Master Agreement will expire on 31 March 2015 and the Company has changed its financial year end from 31 March to 31 December, the Company considers it appropriate to align the period of future transactions in this regard with the Company's new financial year end. Accordingly, on 11 November 2014, the Group entered into the a new master agreement ("New Master Agreement") with New Spring Label for the Services for a term commencing from 1 January 2015 to 31 December 2017. Pursuant to the approval obtained at the special general meeting of the Company held on 19 January 2015, the new annual caps for the provision of the Services under the New Master Agreement for the years ending 31 December 2015, 2016 and 2017 are HK$30 million for each year respectively.

The New Master Agreement shall take effect from 1 January 2015 and the Previous Master Agreement is no longer be effective. All transactions which to be conducted pursuant to the New Master Agreement will be subject to compliance with the new annual caps for the three years ending 31 December 2017.

During the period ended 31 December 2014, the Group provided Services to New Spring Label amounted to approximately HK$21,537,000 (year ended 31 March 2014: HK$40,842,000).

The Directors (including the Independent Non-Executive Directors) have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) according to the agreements governing them on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions 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. The auditor has issued unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

Connected Transactions

During the Period, the Group has the below connected transactions:

During the Period, the Group has the below connected transactions with REORIENT Financial Markets Limited ("REORIENT") in respect of (i) financial advisory services provided by REORIENT in respect of the transactions contemplated under the acquisition of Martin Aircraft Company Limited ("MACL") and (ii) certain other financial advisory services provided by REORIENT for an aggregate financial advisory fee of approximately HK$30,126,000.

Mr. Ko Chun Shun, Johnson ("Mr. Ko"), was appointed as executive Director of the Company and became a connected person of the Company with effect from 22 August 2014. Mr. Ko, is a controlling shareholder of REORIENT and thus transactions with REORIENT constitutes connected transactions of the Company.

The financial advisory fee payable to REORIENT by the Company was negotiated at arm's length after taking into account, among other things, the amount of work to be performed by REORIENT and the success fee nature in respect of the acquisition of MACL. The Directors consider that the terms of the engagements of REORIENT to provide the financial advisory services are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The above connected transactions are subject to the reporting and announcement requirements and are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Other Related Party Transactions

As disclosed in the note 36 to the consolidated financial statements, there is a consultancy fee of approximately HK$55,000,000 payable to Kuang-Chi pursuant to the OTDA. Since (i) Kuang-Chi only became a connected person of the Company upon completion of the subscription on 22 August 2014 when New Horizon Wireless Technology Limited ("New Horizon") became interested in approximately 36.37% of the Company's enlarged ordinary shares in issue as at that day, whereas Kuang-Chi was a controlling shareholders of New Horizon as at that day; (ii) the OTDA was signed prior to the completion of the subscription and; (iii) all the terms and conditions of the OTDA was negotiated between the Company and Kuang-Chi on an arm's length basis when Kuang-Chi remained independent of and not connected with the Company and its connected persons, the OTDA was not a connected transaction for the purposes of Chapter 14A of the Listing Rules.

Save as disclosed above, the other related party transactions as disclosed in note 36 to the consolidated financial statements are de minimis transactions that are exempted from announcement and/or shareholders' approval under Chapter 14A of the Listing Rules.

Save as disclosed in the announcement of the Company dated 31 December 2014, the Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the period ended 31 December 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2014, the following director or chief executive of the Company or his associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Name of Director	Number of Shares held Corporate interests	Number of underlying Shares held Personal interest	Family interests	Corporate interests	Total	Approximately percentage of total issued Shares
Dr. Liu Ruopeng ("Dr. Liu")	1,133,333,334(L) *(note 2)*	–	3,000,000(L) *(note 3)*	1,824,666,666(L) *(note 4)*	2,961,000,000(L)	86.93%
	986,000,000(S) *(note 5)*	–	–	–	986,000,000(S)	28.95%
Mr. Ko Chun Shun Johnson ("Mr. Ko")	1,208,222,223(L) *(note 6)*	–	–	357,777,778(L) *(note 7)*	1,566,000,001(L)	45.98%
Dr. Zhang Yangyang ("Dr. Zhang")	–	15,000,000(L) *(note 8)*	–	–	15,000,000(L)	0.44%
Dr. Luan Lin ("Dr. Luan")	–	9,900,000(L) *(note 9)*	–	–	9,900,000(L)	0.29%

Notes:

1. "L" represents long position in Shares/underlying Shares and "S" represents short position in Shares.

2. This represents the interests in 1,133,333,334 Shares held by New Horizon Wireless Technology Limited ("New Horizon"), being a wholly-owned subsidiary of Wireless Connection Innovative Technology Limited which is owned as to 51% by Kuang-Chi Innovative Technology Limited and as to 49% by Shenzhen Kuang-Chi Hezhong Technology Limited. Kuang-Chi Innovative Technology Limited is a subsidiary of Shenzhen Dapeng Kuang-Chi Technology Limited, which is in turn a subsidiary of Shenzhen Dapeng Kuang-Chi Lianzhong Technology Limited Liability Partnership of which Dr. Liu is the controlling shareholder, and Dr. Liu is the controlling shareholder of Shenzhen Kuang-Chi Hezhong Technology Limited. Accordingly, Dr. Liu is deemed to be interested in the same number of Shares held by New Horizon.

3. This represents the interests in the share options of the Company held by Ms. Huang Weizi ("Ms. Huang"), the spouse of Dr. Liu.

4. This represents the interests in the preferred shares of the Company held by New Horizon.

5. This represents a share charge given by New Horizon in favour of Rosier Investments Limited ("Rosier") over 986,000,000 Shares owned by New Horizon.

6. This represents the interests in (i) 155,555,556 Shares held by Starbliss Holdings Limited ("Starbliss"); (ii) 66,666,666 Shares held by REORIENT Global Limited ("REORIENT Global"); (iii) 1 Share held by REORIENT Financial Markets Limited ("RFML"); and (iv) 986,000,000 Shares given by New Horizon in favour of Rosier as the share charge. Starbliss is ultimately wholly owned by Mr. Ko. Both REORIENT Global and RFML are wholly owned by REORIENT Group Limited, of which Mr. Ko is the controlling shareholder and an executive director. Rosier is owned as to approximately 41.7% by Starbliss. Accordingly, Mr. Ko is deemed to be interested in the same number of Shares held through Starbliss, REORIENT Global, RFML and Rosier.

7. This represents the interests in (i) 250,444,444 preferred shares of the Company held by Starbliss; and (ii) 107,333,334 preferred shares of the Company by REORIENT Global.

8. This represents interests in the share options of the Company held by Dr. Zhang.

9. This represents interests in the share options of the Company held by Dr. Luan.

Save as disclosed above, as at 31 December 2014, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the 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 Part XV of the SFO or pursuant to the Model Code or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2014, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Substantial Shareholder	Capacity	Shares held	Number of Shares held	Number of underlying Total	Approximately percentage of total issued Shares
Ms. Huang	Beneficial owner and interest of spouse	1,133,333,334(L) *(note 2)* 986,000,000(S) *(note 4)*	1,827,666,666(L) *(note 3)* –	2,961,000,000(L) 986,000,000(S)	86.93% 28.95%
New Horizon	Beneficial owner	1,133,333,334(L) 986,000,000(S)	1,824,666,666(L)	2,958,000,000(L) 986,000,000(S)	86.85% 28.95%
Wireless Connection Innovative Interest of controlled	Technology Limited corporation	1,133,333,334(L) 986,000,000(S)	1,824,666,666(L) –	2,958,000,000(L) 986,000,000(S)	86.85% 28.95%
Shenzhen Dapeng Kuang-Chi Technology Limited Liability Partnership	Interest of controlled corporation	1,133,333,334(L) 986,000,000(S)	1,824,666,666(L) –	2,958,000,000(L) 986,000,000(S)	86.85% 28.95%
Shenzhen Dapeng Kuang-Chi Lianzhong Technology Limited	Interest of controlled corporation	1,133,333,334(L) 986,000,000(S)	1,824,666,666(L) –	2,958,000,000(L) 986,000,000(S)	86.85% 28.95%
Shenzhen Kuang-Chi Hezhong Technology Limited	Interest of controlled corporation	1,133,333,334(L) 986,000,000(S)	1,824,666,666(L) –	2,958,000,000(L) 986,000,000(S)	86.85% 28.95%
Kuang-Chi Innovative Technology Limited	Interest of controlled corporation	1,133,333,334(L) 986,000,000(S)	1,824,666,666(L) –	2,958,000,000(L) 986,000,000(S)	86.85% 28.95%
Starbliss	Beneficial owner and person having a security interest in Shares	1,141,555,556(L) *(note 5)*	250,444,444(L) *(note 6)*	1,392,000,000(L)	40.87%

Name of Substantial Shareholder	Capacity	Shares held	Number of Shares held	Number of underlying Total	Approximately percentage of total issued Shares
Rosier	Person having a security interest in Shares	986,000,000(L)	–	986,000,000(L)	28.95%
World Treasure Global Limited *(note 7)*	Beneficial owner	638,981,013(L)	–	638,981,013(L)	18.76%
Mr. Wong Hin Shek	Interest of controlled corporation	638,981,013(L)	–	638,981,013(L)	18.76%
Cutting Edge Global Limited ("Cutting Edge") *(note 8)*	Beneficial owner	155,555,556(L)	250,444,444(L) *(note 9)*	406,000,000(L)	11.92%
Ms. Yu Nan	Interest of controlled corporation	155,555,556(L)	250,444,444(L)	406,000,000(L)	11.92%
Grand Consulting Management S.A. ("Grand Consulting") *(note 10)*	Beneficial owner	77,777,778(L)	125,222,222(L) *(note 11)*	203,000,000(L)	5.96%
Ms. Liu Shu Ling	Interest of controlled corporation	77,777,778(L)	125,222,222(L)	203,000,000(L)	5.96%
Lucky Time Global Limited ("Lucky Time") (note 12)	Beneficial owner	77,777,778(L)	125,222,222(L) *(note 13)*	203,000,000(L)	5.96%
Ms. Guo Shanling	Interest of controlled corporation	77,777,778(L)	125,222,222(L)	203,000,000(L)	5.96%
Insula Holdings Limited *(note 14)*	Interest of controlled corporation	66,666,666(L)	107,333,334(L) *(note 15)*	174,000,000(L)	5.11%
Gainhigh Holdings Limited *(note 14)*	Interest of controlled corporation	66,666,666(L)	107,333,334(L)	174,000,000(L)	5.11%
REORIENT Group Limited *(note 14)*	Interest of controlled corporation	66,666,666(L)	107,333,334(L)	174,000,000(L)	5.11%
REORIENT Global *(note 14)*	Beneficial owner	66,666,666(L)	107,333,334(L)	174,000,000(L)	5.11%

DIRECTORS' REPORT

Notes:

1. "L" represents long position in Shares/underlying Shares and "S" represents short position in Shares.

2. This represents the interest in the Shares held by New Horizon. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by New Horizon.

3. This represents the interests in (i) 3,000,000 share options held by Ms. Huang; and (ii) 1,824,666,666 preferred shares of the Company held by New Horizon. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by New Horizon.

4. This represents the share charge given by New Horizon in favour of Rosier over 986,000,000 Shares owned by New Horizon. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by New Horizon.

5. This represents the interests in (i) 155,555,556 Shares; (ii) a share charge given by New Horizon in favour of Rosier over 986,000,000 Shares owned by New Horizon.

6. This represents the interests in the preferred shares of the Company held by Starbliss.

7. World Treasure Global Limited is wholly owned and beneficially owned by Mr. Wong Hin Shek, a former executive Director.

8. Cutting Edge is wholly owned by Ms. Yu Nan.

9. This represents the interests in the preferred shares of the Company held by Cutting Edge.

10. Grand Consulting is wholly owned by Ms. Liu Shu Ling.

11. This represents the interests in the preferred shares of the Company held by Grand Consulting.

12. Lucky Time is wholly owned by Ms. Guo Shanling.

13. This represents the interests in the preferred shares of the Company held by Lucky Time.

14. REORIENT Global is a wholly-owned subsidiary of REORIENT Group Limited. Gainhigh Holding Limited, a controlling shareholder of REORIENT Group Limited, is a subsidiary of Insula Holdings Limited.

15. This represents the interests in the preferred shares of the Company held by REORIENT Global.

Save as disclosed above, as at 31 December 2014, the Company was not aware of any other person (other than the director or chief executive of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed below, none of the Directors is a director or employee of the companies which have an interest in the ordinary shares and underlying ordinary shares of the Company as disclosed under the provisions of Divisions 2 and 3 Part XV of the SFO:

(1) Dr. Liu Ruopeng is a director of New Horizon, Wireless Connection Innovation Technology Limited, a director and an employee of Kuang-Chi Innovative Technology Limited, Shenzhen Kuang-Chi Hezhong Technology Limited and Shenzhen Dapeng Kuang-Chi Technology Limited, an employee of Shenzhen Dapeng Kuang-Chi Lianzhong Technology Limited Liability Partnership.

(2) Dr. Zhang Yangyang is a director of Shenzhen Dapeng Kuang-Chi Technology Limited, an employee of Shenzhen Kuang-Chi Hezhong Technology Limited.

(3) Dr. Luan Lin is a director of Shenzhen Dapeng Kuang-Chi Technology Limited.

(4) Mr Ko Chun Shun, Johnson, is director of Starbliss, Rosier and Insula Holdings Limited, Gainhigh Holdings Limited and REORIENT Group Limited.

SHARE OPTION SCHEME AND RESTRICTED SHARE AWARD SCHEME

Share Option Scheme

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 31 July 2012, a share option scheme (the "Scheme") was adopted by the Company.

The purpose of the Share Option Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employee or director of the Company or any adviser, consultant, agent, contractor, customers and supplier of any member of the Group or whom the Board in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue unless approval from the Company's shareholders has been obtained. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each individual in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant unless approval from Company's shareholders has been obtained.

The directors have discretion to set a minimum period for which an option has to be held and the option period shall not exceed 10 years from the date of acceptance of option. HK$1 is payable on acceptance of an option within 21 days from the date of grant.

The exercise price shall be determined by the directors of the Company, and shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The Share Option Scheme will remain valid for a period of 10 years commencing on 31 July 2012.

As at the date of this report, the total number of option available for issue under the scheme is 77,203,112 shares. Other than the share options granted on 26 August 2014 as mentioned below, no other option was granted under the scheme up to the period end 31 December 2014.

Save as disclosed below, none of the directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

Category of participant	Date of Grant	Exercise price *HK$*	Exercisable period [2]	Granted during the period	Outstanding as at 31 December 2014
Directors					
Dr. Zhang Yangyang	26.8.2014	5.386	26.8.2015–25.8.2019[3]	15,000,000	15,000,000
Dr. Luan Lin	26.8.2014	5.386	26.8.2015–25.8.2019[3]	9,900,000	9,900,000
Sub-total				24,900,000	24,900,000
Employees					
Ms. Huang Weizi[1]	26.8.2014	5.386	26.8.2015–25.8.2019[3]	3,000,000	3,000,000
Other employees	26.8.2014	5.386	26.8.2015–25.8.2019[3]	39,847,000	39,847,000
Sub-total				42,847,000	42,847,000
Total				67,747,000	67,747,000

(1) Ms. Huang Weizi is the spouse of Dr. Liu Ruopeng, an executive Director of the Company.

(2) Vesting of the share options is conditional upon the achievement of certain performance targets as set out in the respective offer letters.

(3) Commencing from the first, second and third anniversaries of the date of grant of the options, the relevant grantee may exercise up to 33%, 33% and 34% respectively of the options granted.

Restricted Share Award Scheme

Under the restricted share award scheme ("RSA Scheme") approved and adopted by the shareholders in general meeting of the Company on 10 December 2014, the Company may grant restricted shares to participants including directors and full-time or part-time employees of the Company or any of its subsidiaries as determined by the Share Award Committee ("SA Committee").

The purpose of the RSA Scheme is to recognise and motivate the contribution of the participants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. Pursuant to the rules of the RSA Scheme, the SA Committee may, from time to time, at its absolute discretion select any participant after taking into account, among other things, the performance of the relevant participants and/or their contributions to the Group as it deems appropriate for participation in the RSA Scheme as a selected participant. The SA Committee shall determine the number of existing Ordinary Shares to be purchased or new Ordinary Shares to be issued as restricted shares granting to the selected participants. Pursuant to the rules of the RSA Scheme, existing Ordinary Shares shall be purchased by an appointed trustee, and/or new Ordinary Shares may be allotted and issued to the trustee, to hold on trust for the participants until such restricted shares are vested.

During the period ended 31 December 2014, no restricted shares were granted by the Company. During the period ended 31 December 2014, no restricted shares were purchased nor issued by the Company for the purposes of the RSA Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme and the restricted share award scheme as mentioned above, at no time during the period ended 31 December 2014 was the Company or its subsidiaries, or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Audit Committee has reviewed the audited results for the period ended 31 December 2014 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

AUDITOR

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

Deloitte Touche Tohmatsu were appointed as auditors of the Company on 13 November 2014 following the resignation of SHINEWING (HK) CPA Limited who acted as the auditors of the Company until the same date.

On behalf of the Board

Dr. Liu Ruopeng
Chairman and Executive Director

Hong Kong, 26 March 2015

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Group for the period ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders' value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all shareholders.

The Board is responsible for performing the corporate governance functions with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"). During the year under review, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company's code of conduct, and the Company's compliance with the Code Provision and disclosure in this Corporate Governance Report.

The Company has complied with the CG Code during the period under review, except for the deviations from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraphs below.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "Chairman" before the appointment of Dr. Liu Ruopeng as the Chairman of the Company on 26 August 2014. The Board has also appointed Dr. Zhang Yangyang as the chief executive officer as on 26 August 2014. After the aforesaid appointments, the Company has complied with the code of provision A.2.1.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. From the period 1 April 2014 to 23 August 2014, one non-executive director of the Company, Mr. Wong Hung Ki, was not appointed for specific terms but he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company. However, Mr. Wong Hung Ki resigned as the non-executive director on 23 August 2014, after his resignation, all the non-executive directors (including independent non-executive directors) of Company are appointed for a specific term and subject to re-election, the Company has complied with the code of provision A.4.1.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

Composition

The Board currently comprises four executive directors and three independent non-executive directors from different business and professional fields. The directors, including independent non-executive directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgement to the Board for its efficient and effective delivery of the Board function.

At the date of this report, the Board comprises the following directors:

Executive Directors	Dr. Lin Ruopeng Dr. Zhang Yangyang Dr. Luan Lin Mr. Ko Chun Shun, Johnson
Independent Non-executive Directors	Mr. Lau Man Tak Dr. Wong Kai Kit Dr. Liu Jun

The profiles of each director are set out in the "Biographical Details of Directors and Senior Management" section on pages 14 to 15.

Chairman and Chief Executive Officer

Dr. Liu Ruopeng is the chairman of the Company and Dr. Zhang Yangyang is the chief executive officer ("CEO") of the Company. The roles of the chairman and CEO are served by different individuals to achieve a balance of authority and power. The main responsibility of the chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of committees of the Board, the CEO is responsible for the day-to-day management of the Group's business, recommending strategies to the Board, and determining and implementing operational decisions.

Directors' and Officer's Insurance

The Company purchased the directors' and officers' liability insurance for members of the Board for the year to provide protection against claims arising from the lawful discharge of duties by the directors.

Independent Non-Exeuctive Directors

All independent non-executive Directors are appointed for a specific term. Throughout the period and up to the date of this report, the Company has complied with the requirements under Rules 3.10 of the Listing Rules. It requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independence in accordance with the independence guidelines set out in the Listing Rules.

Appointments, Re-election and Removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. Such term is subject to her/ his re-appointment by the Company at an annual general meeting upon such Director's retirement by rotation at least once every three years and offering herself/himself for re-election. The bye-laws of the Company provide that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the period ended 31 December 2014.

Directors' continuous training and development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant. The directors are committed to complying with the CG Code A6.5 on directors' training. All directors have participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility and provided a record of training they received for the financial period ended 31 December 2014 to the Company.

BOARD COMMITTEES

The Board has established three committees, namely the remuneration committee, audit committee and nomination committee. Each of which has specific written terms of reference.

Remuneration Committee

The remuneration committee comprises three independent non-executive directors. The committee is chaired by Dr. Liu Ruopeng with Dr. Liu Jun and Dr. Wong Kai Kit as members.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the remuneration policy and structure and remuneration packages of the executive directors, non-executive directors and senior management. The remuneration committee is also responsible for recommending to the Board of transparent procedures for developing such remuneration policy and structure and ensuring no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the period under review, the Remuneration Committee has reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, and determined the remuneration packages of the Directors and senior management. Details of the Directors' remuneration and five individuals with highest emoluments are set out in notes 12 to the consolidated financial statements.

In addition, pursuant to the code provision B.1.5, the annual remuneration of the member of the current senior management (other than directors) by band for the period ended 31 December 2014 is set out below:

Remuneration band (in HK$)	Number of individuals
HK$nil to 1,000,000	1

Audit Committee

The audit committee comprises three independent non-executive directors. The committee is chaired by Mr. Lau Man Tak with Dr. Lin Jun and Dr. Wong Kai Kit as members. None of the members of the audit committee is a former partner of the Company's existing external auditors.

The main duties of the audit committee include the followings:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) or external auditor before submission to the Board.

(b) to review the relationship with the external auditor by reference to the work performed, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held 2 meetings during the period ended 31 December 2014 to review the financial results and reports of the Company with the external auditors.

Nomination Committee

The nomination committee comprises three independent non-executive directors. The committee is chaired by Dr. Wong Kai Kit with Dr. Zhang Yangyang and Dr. Liu Jun as members.

The principal responsibilities of the nomination committee are regular review of the Board composition, identifying and nominating suitable candidates as Board members, assessment of the independence of the independent non-executive directors and Board evaluation. The nomination committee also reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

During the period under review, the Board adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

Meetings

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Board met 13 times during the period ended 31 December 2014.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Minutes of all Board meetings, other Board Committee meetings and general meetings contain sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and are open for inspection by the directors. The attendance of individual members of the Board meetings, other Board Committee meetings and general meetings during the period ended 31 December 2014 is set out in the table below:

	Meetings attended/Eligible to attend				
	Board of Directors	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings**
Executive Directors					
Dr. Liu Ruopeng#	8/8	N/A	1/1	N/A	1/2
Dr. Zhang Yangyang#	8/8	N/A	N/A	N/A	1/2
Dr. Luan Lin#	8/8	N/A	N/A	N/A	1/2
Mr. Ko Chun Shun, Johnson#	7/8	N/A	N/A	N/A	1/2
Mr. Wong Hin Shek^Δ	5/5	N/A	N/A	N/A	1/1
Mr. Ng Man Chan	6/13	N/A	N/A	N/A	0/3
Non-executive Director					
Mr. Wong Hung Ki^Δ	5/5	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Lau Man Tak	10/13	2/2	N/A	2/2	3/3
Mr. Man Kwok Leung^Δ	4/5	1/1	N/A	2/2	1/1
Dr. Wong Yun Kuen^Δ	4/5	1/1	N/A	2/2	1/1
Dr. Liu Jun#	4/8	1/1	1/1	N/A	0/2
Dr. Wong Kai Kit#	4/8	1/1	1/1	N/A	0/2

Appointed on 22 August 2014
Δ Resigned on 23 August 2014

Conflict of Interest

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction. The Group also adopted certain internal control policies to manage potential conflicts of interest.

Company Secretary

The Company Secretary of the Company is Mr. Chan Ming Kei. The Company Secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Mr. Chan confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

FINANCIAL REPORTING AND INTERNAL CONTROL

Directors' Responsibilities for the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 December 2014, directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis. The accounting systems and internal control of the Company are designed to prevent any misappropriation of the Company's assets, any unauthorised transactions as well as to ensure the accuracy of the accounting records and the true and fairness of the financial statements.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's financial reports, other inside information announcements and other financial disclosures required under Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements. The reporting responsibilities of the Company's independent auditor are set out in the Independent Auditor's Report on pages 36 to 37.

Internal Controls

The Board, recognising its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implement an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group.

The Board is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk. The Board has conducted a review of the effectiveness and adequacy of the internal control system of the Group and has reached the conclusion that the Group's internal control system was in place and effective.

External Auditor and Auditor's Remuneration

For the purpose of maintaining good corporate governance practice, the Board considers that the Company's auditors should be changed after an appropriate period of time and a rotation of auditors will help enhancing the independence of the auditors.

SHINEWING (HK) CPA Limited ("SHINEWING") has been the auditors of the Group since November 2007, The Board wished to change the auditors of the Company for the period ended 31 December 2014. On 13 November 2014, Deloitte Touche Tohmatsu ("Deloitte") were appointed as auditors of the Company following the resignation of SHINEWING on the same date.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The remuneration paid to the Company's external auditor, SHINEWING and Deloitte, in respect of audit services and non-audit services for the period ended 31 December 2014 is set out below:

Services rendered for the Group	**1.4.2014 to 31.12.2014** *HK$'000*
Audit services (services rendered by Deloitte)	880
Other non-audit services (services rendered by Deloitte)	50
Tax advisory services (services rendered SHINEWING)	47
Total	977

SHAREHOLDER RIGHTS, INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

Shareholder Rights

To safeguard shareholder interest and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

Enquiries of shareholders can be sent to the Company by post to the Company's Hong Kong head office at Unit 906, 9th Floor, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong. Shareholders' enquiries and concerns, where appropriate, will be forwarded to and answered by the Board. In addition, shareholders can contact the share registrar of the Company if they have any enquiries about their shareholdings. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Stock Exchange and the Company after each shareholder meeting.

Pursuant to the Bye-Laws of the Company, the Board may whenever it thinks fit call special general meetings, and the shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Investor Relations and Communications with Shareholders

The Board recognises the importance of good communication with shareholders. The Company has established a shareholders communication policy to set out the Company's procedures in providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the Company's website.

The Company regards the annual general meeting of the Company as an important event and all directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries. Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 20 clear business days notice is given.

The Company has complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in circulars to shareholders of the Company dispatched by the Company where applicable.

Constitutional Documents

During the period ended 31 December 2014, the Company has amended the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

電話：+852 2852 1600
傳真：+852 2541 1911
電子郵件：mail@deloitte.com.hk
www.deloitte.com/cn

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Tel: +852 2852 1600
Fax: +852 2541 1911
Email: mail@deloitte.com.hk
www.deloitte.com/cn

TO THE SHAREHOLDERS OF KUANGCHI SCIENCE LIMITED
(Formerly known as Climax International Company Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kuangchi Science Limited (formerly known as Climax International Company Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 105, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 April 2014 to 31 December 2014, 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 our agreed terms of the engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the Group's loss and cash flows for the period from 1 April 2014 to 31 December 2014 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 April 2014 to 31 December 2014

	Notes	**01.04.2014 to 31.12.2014 HK$'000**	01.04.2013 to 31.03.2014 HK$'000 (restated)
Revenue	5	**79,464**	113,433
Cost of sales		**(61,007)**	(93,274)
Gross profit		**18,457**	20,159
Other income	7	**8,777**	1,868
Other gains and losses	8	**(10,922)**	(2,445)
Impairment loss recognised in respect of goodwill	17	**(34,160)**	(36,393)
Selling and distribution expenses		**(2,258)**	(5,178)
Research and development expenses		**(63,968)**	–
Administrative expenses		**(68,026)**	(14,926)
Finance costs	9	**(574)**	(417)
Loss before tax		**(152,674)**	(37,332)
Income tax expense	10	**(861)**	(576)
Loss for the period/year	11	**(153,535)**	(37,908)
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		**(2,047)**	377
Total comprehensive expense for the period/year		**(155,582)**	(37,531)
Loss per share	14		
Basic (HK cents per share)		**(6.56)**	(2.70)
Diluted (HK cents per share)		**(6.56)**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	31.12.2014 HK$'000	31.03.2014 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Plant and equipment	15	**47,633**	28,932
Investment properties	16	**13,100**	25,600
Goodwill	17	**13,501**	47,661
Prepaid lease payments	18	**–**	8,733
Deposit paid for acquisition of a company	40	**133,277**	–
Deposits paid for acquisition of plant and equipment		**8,071**	–
		215,582	110,926
CURRENT ASSETS			
Prepaid lease payments	18	**–**	216
Inventories	19	**14,365**	16,835
Trade and other receivables	20	**33,411**	13,007
Income tax recoverable		**–**	147
Held for trading investments	21	**–**	4,260
Pledged deposit	22	**187,575**	–
Bank balances and cash	22	**1,485,818**	44,324
		1,721,169	78,789
CURRENT LIABILITIES			
Trade and other payables, and deferred revenue	23	**75,661**	13,922
Income tax payable		**752**	34
Bank borrowings	24	**–**	5,754
Obligations under finance lease – amount due within one year	25	**1,400**	1,283
		77,813	20,993
NET CURRENT ASSETS		**1,643,356**	57,796
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,858,938**	168,722

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	31.12.2014 HK$'000	31.03.2014 HK$'000
NON-CURRENT LIABILITIES			
Long term payable	23	**345**	–
Bank borrowings	24	**140,000**	–
Obligations under finance lease – amount due after one year	25	**233**	1,400
Deferred tax liabilities	26	**119**	157
		140,697	1,557
NET ASSETS		**1,718,241**	167,165
CAPITAL AND RESERVES			
Share capital – Ordinary shares	27	**34,061**	14,495
Share capital – Preferred shares	27	**10,733**	–
Reserves		**1,668,445**	152,670
Equity attributable to owners of the Company		**1,713,239**	167,165
Non-controlling interest		**5,002**	–
TOTAL EQUITY		**1,718,241**	167,165

The consolidated financial statements on pages 38 to 105 were approved and authorised for issue by the Board of Directors on 26 March 2015 and are signed on its behalf by:

Dr. Liu Ruopeng
Director

Dr. Zhang Yangyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital – Ordinary shares HK$'000	Share capital – Preferred share HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note a)	Contributed surplus HK$'000 (note b)	Share-based payment reserve HK$'000 (note c)	Exchange translation reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Attributable to non-controlling interest HK$'000	Total HK$'000
Balance at 1 April 2013	12,079	–	233,835	17,900	103,941	–	1,350	(187,883)	181,222	–	181,222
Loss for the year	–	–	–	–	–	–	–	(37,908)	(37,908)	–	(37,908)
Other comprehensive income for the year	–	–	–	–	–	–	377	–	377	–	377
Total comprehensive expenses for the year	–	–	–	–	–	–	377	(37,908)	(37,531)	–	(37,531)
Placing of share (note 27c)	2,416	–	21,742	–	–	–	–	–	24,158	–	24,158
Transaction costs attributable	–	–	(684)	–	–	–	–	–	(684)	–	(684)
Balance at 31 March 2014	14,495	–	254,893	17,900	103,941	–	1,727	(225,791)	167,165	–	167,165
Loss for the period	–	–	–	–	–	–	–	(153,535)	(153,535)	–	(153,535)
Other comprehensive expense for the period	–	–	–	–	–	–	(2,047)	–	(2,047)	–	(2,047)
Total comprehensive expense for the period	–	–	–	–	–	–	(2,047)	(153,535)	(155,582)	–	(155,582)
Recognition of share-based payment	–	–	–	–	–	18,138	–	–	18,138	–	18,138
Subscription of shares (note 27a)	16,667	10,733	116,667	–	–	–	–	–	144,067	–	144,067
Subscription of shares (note 27b)	2,899	–	1,558,502	–	–	–	–	–	1,561,401	–	1,561,401
Transaction cost attributable to subscription of shares	–	–	(21,735)	–	–	–	–	–	(21,735)	–	(21,735)
Disposal of subsidiaries (note 32)	–	–	–	–	–	–	(215)	–	(215)	–	(215)
Non-controlling interest arising on the incorporation of Shen Zhen Kuangchi Manned Space Technology Limited (note 37)	–	–	–	–	–	–	–	–	–	5,002	5,002
Balance at 31 December 2014	34,061	10,733	1,908,327	17,900	103,941	18,138	(535)	(379,326)	1,713,239	5,002	1,718,241

Notes:

(a) The balance of capital reserve represents the capital reserve arising from the group restructuring which took place in 1992.

(b) The balance of contributed surplus arose as result of the Company's capital reduction exercises which took place in the financial years of 2003 and 2006.

(c) The balance of share-based payment reserve represents share options granted on 26 August 2014 as set out in note 29.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period from 1 April 2014 to 31 December 2014

	Notes	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(152,674)**	(37,332)
Adjustments for:			
Depreciation of plant and equipment		**3,584**	4,821
Interest income		**(6,015)**	(310)
(Gain) loss on change in fair value of investment properties		**(108)**	106
Dividend income		**(87)**	(187)
Loss on disposal of plant and equipment		**210**	67
Impairment loss recognised in respect of goodwill		**34,160**	36,393
(Gain) loss on changes in fair value of held for trading investments		**(505)**	672
Amortisation of prepaid lease payments		**36**	215
Finance costs		**574**	417
Gain on disposal of subsidiaries		**(3,303)**	–
Write-down of inventories		**2,266**	481
Share-based payment expenses		**18,138**	–
Operating cash flows before movements in working capital		**(103,724)**	5,343
Decrease (increase) in inventories		**204**	(2,502)
(Increase) decrease in trade and other receivables		**(9,821)**	13,526
Increase (decrease) in trade and other payables		**61,739**	(3,228)
Increase in long term payable		**345**	–
Proceeds from disposal of held for trading investments		**4,765**	–
Cash (used in) generated from operations		**(46,492)**	13,139
Income tax paid		**(34)**	(4,361)
Interest paid		**(574)**	(417)
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES		**(47,100)**	8,361
INVESTING ACTIVITIES			
Purchase of plant and equipment		**(22,789)**	(533)
Dividend received		**87**	187
Proceeds from disposal of investment properties		**12,608**	1,794
Proceeds from disposal of plant and equipment		**251**	798
Interest received		**1,778**	310
Advance of loan to MACL	20	**(6,346)**	–
Placement of pledged deposit		**(187,575)**	–
Net cash inflow from disposal of subsidiaries		**12,001**	–
Deposit paid for acquisition of a company	40	**(133,277)**	–
Deposits paid for acquisition of plant and equipment		**(8,071)**	–
NET CASH (USED IN) GENERATED BY INVESTING ACTIVITIES		**(331,333)**	2,556

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period from 1 April 2014 to 31 December 2014

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**140,000**	–
Repayment of bank borrowings	**(5,754)**	(1,262)
Proceeds from issue of ordinary shares	**1,694,735**	24,158
Proceeds from issue of preferred shares	**10,733**	–
Contribution from non-controlling interest	**5,002**	–
Advance from related companies	**–**	155
Repayment of promissory notes	**–**	(55,000)
Repayment of principal for obligations under finance lease	**(1,050)**	(1,729)
Payment of transaction costs attributable to issue of new shares	**(21,735)**	(684)
NET CASH GENERATED BY (USED IN) FINANCING ACTIVITIES	**1,821,931**	(34,362)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,443,498**	(23,445)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	**44,324**	67,756
Effect of foreign exchange rate changes	**(2,004)**	13
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	**1,485,818**	44,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2014 to 31 December 2014

1. GENERAL

The Company is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of novel space services, manufacturing and trading of paper packaging products and property investment. Details of the principal subsidiaries are set out in note 37. The consolidated financial statements are presented in Hong Kong dollars for the convenience of the shareholders, as the Company is listed in Hong Kong.

1.1 BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the current financial period, the reporting period end date of the Group was changed from 31 March to 31 December because the Group would like to align with the financial year end date of its subsidiaries incorporated in the PRC as their accounts are statutorily required to be closed with the financial year end date of 31 December. Accordingly, the consolidated financial statements for the current period cover the nine month period ended 31 December 2014. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve month period from 1 April 2013 to 31 March 2014 and therefore may not be comparable with amounts shown for the current period.

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

The Group has applied the following interpretation and amendments to standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

The application of the interpretation and amendments to standards in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior year and/or disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 that are relevant to the Group based on an assessment of the Group's financial assets and liabilities at 31 December 2014 is as follows:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets (e.g. the impairment on trade and other receivables). It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company do not expect that the application of the new and revised HKFRSs in issue but not yet effective will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Consultancy fees in relation to novel space services are recognised by reference to the stage of completion of the consultation service, determined by reference to the stages of work agreed to be performed pursuant to the contract with customers.

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or service, or for administrative purposes other than properties under construction as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held under finance leases are depreciated over their excepted useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are deprecated over the shorter of the lease terms and then useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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 the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving 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 becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of subsidiaries that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Research and development expenditure

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend on the financial assets and is included in the 'loss on changes in fair value of held for trading investments' line item. Fair value is determined in the manner described in note 21.

Loans and receivables

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL (Continued)

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities (including bank borrowings, trade and other payables and amount due to related companies) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's are derecognised when the obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payment to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current, market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profits or loss.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policy

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policy and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios which is located in Hong Kong and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

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

Estimated impairment loss in respect of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated. The directors of the company estimate the recoverable amount based on a value-in-use calculation. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is approximately HK$13,501,000 (31 March 2014: HK$47,661,000), net of impairment loss of approximately HK$34,160,000 recognised in the current period (31 March 2014: HK$36,393,000). Details of the recoverable amount calculation are disclosed in note 17.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement in applying accounting policy (Continued)

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2014 was approximately HK$13,100,000 (31 March 2014: HK$25,600,000).

Estimated allowance for inventories and write-down of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. As at 31 December 2014, the carrying amounts of inventories were approximately HK$14,365,000 (31 March 2014: HK$16,835,000). During the period ended 31 December 2014, allowance for impairment losses amount to approximately HK$2,266,000 (year ended 31 March 2014: HK$481,000).

Recognition of deferred tax on undistributed profits of subsidiaries in the PRC

As at 31 December 2014 and 31 March 2014, no deferred tax liabilities have been recognised on the undistributed profits of the group companies in the PRC as the Group plans to retain those profits in the respective entities for their daily operations and future developments. In case there is a change in such plan, additional tax liabilities will arise, which will be recognised in the profit or loss for the period in which the management intends to declare such profits in the foreseeable future or the Group's future development plan is amended, whichever is earlier.

5. REVENUE

An analysis of the Group's revenue for the period is as follows:

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Revenue from novel space services	**9,224**	–
Revenue from the sale of goods	**69,737**	112,648
Revenue from rental income (note)	**503**	785
	79,464	113,433

See note 6 for an analysis of revenue by major products and services.

Note:

An analysis of the Group's net rental income from investment properties is as follows:

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Gross rental income	**503**	785
Less: Outgoings (included in cost of sales)	**(18)**	(18)
Net rental income	**485**	767

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision-makers (the "CODMs"), for the purpose of resources allocation and performance assessment focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Novel space services – applying the technology developed in respect of the civil near space flying apparatus to provide various novel space services.

2. Paper business – manufacturing and trading of paper packaging products, paper gift items and paper promotional materials.

3. Property investment – leasing of property.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Novel space services		Property investment		Paper business		Total	
	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000	**01.04.2014 to 31.12.2014 HK$'000**	01.04.2013 to 31.03.2014 HK$'000	**01.04.2014 to 31.12.2014 HK$'000**	01.04.2013 to 31.03.2014 HK$'000	**01.04.2014 to 31.12.2014 HK$'000**	01.04.2013 to 31.03.2014 HK$'000
Revenue	**9,224**	–	**69,737**	112,648	**503**	785	**79,464**	113,433
Segment (loss) profit	**(66,537)**	–	**(36,131)**	(29,687)	**65**	667	**(102,603)**	(29,020)
Unallocated corporate income							**10,556**	1,344
Unallocated corporate expenses							**(60,053)**	(9,239)
Finance costs							**(574)**	(417)
Loss before tax							**(152,674)**	(37,332)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment loss represents the loss reported earned by each segment without allocation of central corporate income and expense, directors' remuneration, gain on disposal of subsidiaries, financial advisory expenses, certain share-based payment, certain other income, and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	31.12.2014 HK$'000	31.03.2014 HK$'000
Novel space services	**164,008**	–
Paper business	**73,509**	114,766
Property investment	**13,109**	25,895
Total segment assets	**250,626**	140,661
Unallocated corporate assets	**1,686,125**	49,054
Consolidated assets	**1,936,751**	189,715

6. SEGMENT INFORMATION (Continued)

Segment liabilities

	31.12.2014 HK$'000	31.03.2014 HK$'000
Novel space services	**44,111**	–
Paper business	**21,144**	11,853
Property investment	**157**	125
Total segment liabilities	**65,412**	11,978
Unallocated corporate liabilities	**153,098**	10,572
Consolidated liabilities	**218,510**	22,550

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

- all assets are allocated to operating segments other than held for trading investments, pledged deposit, cash and cash equivalents and other assets for corporate use including certain plant and equipment, deposits and other receivables; and

- all liabilities are allocated to operating segments other than bank borrowings, deferred tax liabilities, obligations under finance lease and certain other payables.

Other segment information
Period ended 31 December 2014

	Novel space service HK$'000	Paper business HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:					
Addition to plant and equipment	22,136	653	–	–	22,789
Depreciation and amortisation	37	3,531	48	4	3,620
Changes in fair value of investment properties	–	–	(108)	–	(108)
Changes in fair value of financial assets classified as held for trading	–	–	–	(505)	(505)
Loss on disposal of plant and equipment	–	12	198	–	210
Write-down of inventories	–	2,266	–	–	2,266
Impairment loss recognised in respect of goodwill	–	34,160	–	–	34,160

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Year ended 31 March 2014

	Paper business HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Addition to plant and equipment	498	35	–	533
Depreciation and amortisation	4,953	83	–	5,036
Changes in fair value of investment properties	–	106	–	106
Changes in fair value of financial assets classified as held for trading	–	–	672	672
Loss on disposal of plant and equipment	67	–	–	67
Write-down of inventories	481	–	–	481
Impairment loss recognised in respect of goodwill	36,393	–	–	36,393

Revenue from major products

The Group has no major product because each product will be tailored according to the customers' specific criteria.

Geographical information

The Group operates in three principal geographical areas – the People's Republic of China (excluding Hong Kong) (the "PRC"), Europe and Hong Kong.

Information about the Group's revenue from operations from external customers is presented based on the location of the goods delivered.

	Revenue from external customers		Non-current assets*	
	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000	**31.12.2014 HK$'000**	31.03.2014 HK$'000
PRC	**21,556**	13,457	**46,031**	40,910
Europe	**11,038**	18,660	**–**	–
Hong Kong	**46,870**	81,316	**36,274**	70,016
	79,464	113,433	**82,305**	110,926

* Non-current assets exclude financial instruments.

6. SEGMENT INFORMATION (Continued)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group as follows are both from paper business segment:

	31.12.2014 HK$'000	31.03.2014 HK$'000
Customer 1*	21,537	40,842
Customer 2	13,460	11,353

* The customer represented one of the related parties, details of which were disclosed in note 36(ii).

7. OTHER INCOME

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Sales of scrap materials	470	524
Interest income earned on bank balances and pledged deposit	6,015	310
Dividend income	87	187
Management fee income (note)	666	720
Write-off of other payables	1,074	–
Sundry income	465	127
	8,777	1,868

Note: For the period ended 31 December 2014 and year ended 31 March 2014, the amount represented income from administrative services provided to a related company, New Spring Label & Packaging Limited ("New Spring Label"), of which Mr. Ng Man Chan ("Mr. Ng"), a director of the Company, and Ms. Li Mi Lai ("Ms. Li"), a close family member of Mr. Ng, are controlling shareholders (note 36).

8. OTHER GAINS AND LOSSES

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Loss on disposal of plant and equipment	**(210)**	(67)
Gain on disposal of subsidiaries (note 32)	**3,303**	–
Gain (loss) arising on change in fair value of investment properties	**108**	(106)
Gain (loss) arising on change in fair value of financial assets classified as held for trading investments	**505**	(672)
Write-down of inventories	**(2,266)**	(481)
Exchange loss, net	**(12,362)**	(1,119)
	(10,922)	(2,445)

9. FINANCE COSTS

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Interest on:		
Bank borrowings not wholly repayable within five years	**415**	173
Obligations under finance lease	**159**	244
	574	417

10. INCOME TAX EXPENSE

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	**90**	28
Hong Kong profits tax	**809**	566
	899	594
Deferred taxation (note 26)	**(38)**	(18)
	861	576

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period/year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the period/year.

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

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Loss before tax	**(152,674)**	(37,332)
Tax at Hong Kong tax rate of 16.5%	**(25,191)**	(6,160)
Tax effect of different tax rates of subsidiaries' operations in other jurisdiction	**(437)**	(270)
Tax effect of expenses not deductible for tax purposes	**27,711**	7,261
Tax effect of income not taxable for tax purposes	**(1,447)**	(201)
Tax effect of unrecognised tax losses	**284**	–
Utilisation of tax losses previously not recognised	**(59)**	(54)
Tax charge for the period/year	**861**	576

11. LOSS FOR THE PERIOD/YEAR

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Loss for the period/year has been arrived at after charging:		
Staff cost, including directors' remuneration (note 12) and excluding staff cost in research and development expenses:		
Salaries, wages and other benefits	**35,324**	36,745
Retirement benefits scheme contributions (note 28)	**1,834**	1,002
Share-based payment – equity-settled (note 29)	**18,138**	–
Total staff costs	**55,296**	37,747
Research and development expenses:		
Consultancy fee (note)	**55,000**	–
Salaries and other benefits	**8,280**	–
Retirement benefit scheme contribution (note 28)	**647**	–
Other	**41**	–
	63,968	–
Amortisation of prepaid lease payments	**36**	215
Auditor's remuneration	**880**	800
Depreciation for plant and equipment	**3,584**	4,821
Operating lease rental on land and buildings	**1,427**	1,728
Cost of inventories recognised as an expense	**60,989**	93,256
Advisory expenses (note 36(ii))	**30,126**	–

Note: For the period ended 31 December 2014, the amount represented consultancy fee incurred and payable to a related company, Kuang-Chi Innovative Technology Limited, in which Dr. Liu Ruopeng, a shareholder and a director of the Company, is a director and a shareholder (note 36).

12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS

Directors

Details of emoluments of individual directors are set out as follows:

Period ended 31 December 2014

	Fee HK$'000	Salary and other allowance HK$'000	Bonus HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
Executive Directors						
Dr. Liu Ruopeng*	344	–	–	–	–	344
Dr. Zhang Yangyang*	307	–	–	–	3,906	4,213
Dr. Luan Lin*	244	–	–	–	2,578	2,822
Mr. Ko Chun Shun, Johnson*	–	–	–	–	–	–
Mr. Wong Hin Sek#	–	–	–	–	–	–
Mr. Ng Man Chan	527	–	–	27	–	554
Non-executive Director						
Mr. Wong Hung Ki	47	–	–	–	–	47
Independent Non-executive Directors						
Mr. Lau Man Tak*	129	–	–	–	–	129
Dr. Liu Jun*	90	–	–	–	–	90
Mr. Man Kwok Leung#	39	–	–	–	–	39
Dr. Wong Kai Kit*	90	–	–	–	–	90
Dr. Wong Yun Kuen#	39	–	–	–	–	39
	1,856	–	–	27	6,484	8,367

* appointed on 22 August 2014
\# resigned on 23 August 2014

12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS (Continued)

Year ended 31 March 2014

	Fee HK$'000	Salary and other allowance HK$'000	Bonus HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
Executive Directors						
Mr. Wong Hin Shek	–	–	–	–	–	–
Nr. Ng Man Chan	360	–	–	11	–	371
Non-executive Director						
Mr. Wong Hung Ki	120	–	–	–	–	120
Independent Non-executive Directors						
Mr. Lau Man Tak	100	–	–	–	–	100
Mr. Man Kwok Leung	100	–	–	–	–	100
Dr. Wong Yun Kuen	100	–	–	–	–	100
	780	–	–	11	–	791

During the period ended 31 December 2014 and year ended 31 March 2014, no amount was paid in respect of Mr. Ko Chun Shun, Johnson ("Mr. Ko") and Mr. Wong Hin Shek's (chief executive of the Company) directorship respectively. On 23 August 2014, Mr. Zhang Yangyang replaced Mr. Wong Hin Shek as the chief executive of the Company.

Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the period ended 31 December 2014 or year ended 31 March 2014.

No emoluments have been paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the period from 1 April 2014 to 31 December 2014 and the year ended 31 March 2014.

12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

Of the five individuals with the highest emoluments in the Group, there were two (years ended 31 March 2014: one) directors whose emoluments are included in the disclosures above. The emoluments of the remaining three (years ended 31 March 2014: four) individuals were as follows:

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Salaries and other allowances	**997**	2,340
Retirement benefit scheme contributions	**–**	60
Share-based payment	**7,356**	–
	8,353	2,400

Their emoluments were within the following band:

	01.04.2014 to 31.12.2014 Number of Individuals	01.04.2013 to 31.03.2014 Number of Individuals
Nil to HK$1,000,000	**–**	4
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**1**	–
HK$4,000,001 to HK$5,000,000	**1**	–
	3	4

13. DIVIDEND

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

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period/year attributable to owners of the Company)	**(153,535)**	(37,908)

	01.04.2014 to 31.12.2014	01.04.2013 to 31.03.2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,341,479,429**	140,648,029
Weighted average number of ordinary shares for the purpose of diluted loss per share	**2,314,479,429**	N/A

For the period ended 31 December 2014, the computation of diluted loss per share does not assume the conversion of the Company's outstanding preferred shares since their exercise would result in a decrease in loss per share. There was no outstanding share option or other potentially dilutive instrument in the Group for the year ended 31 March 2014.

15. PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 April 2013	34,972	543	1,528	324	1,576	–	38,943
Additions	363	21	7	35	107	–	533
Disposals	(583)	(30)	–	–	(586)	–	(1,199)
Exchange realignment	276	2	–	–	17	–	295
At 31 March 2014	35,028	536	1,535	359	1,114	–	38,572
Additions	510	–	–	–	1,547	20,732	22,789
Disposals	(833)	–	(310)	(49)	–	–	(1,192)
Exchange realignment	(2)	–	–	–	(3)	(52)	(57)
At 31 December 2014	34,703	536	1,225	310	2,658	20,680	60,112
DEPRECIATION							
At 1 April 2013	3,642	127	918	17	367	–	5,071
Provided for the year	4,234	33	176	21	357	–	4,821
Eliminated on disposals	(101)	(25)	–	–	(208)	–	(334)
Exchange realignment	75	1	–	–	6	–	82
At 31 March 2014	7,850	136	1,094	38	522	–	9,640
Provided for the year	3,197	39	63	6	279	–	3,584
Eliminated on disposals	(624)	–	(119)	(13)	–	–	(756)
Exchange realignment	10	–	–	–	1	–	11
At 31 December 2014	10,433	175	1,038	31	802	–	12,479
CARRYING VALUES							
At 31 December 2014	24,270	361	187	279	1,856	20,680	47,633
At 31 March 2014	27,178	400	441	321	592	–	28,932

The above items of plant and equipment are depreciated over their estimated useful lives and after taking into account of their estimated residual value, on a straight-line basis at the following rates per annum:

Plant and machinery	6.6 – 20%
Furniture and fixture	8 – 33%
Office equipment	10 – 50%
Leasehold improvement	Over the shorter of the term of the lease or 5 years
Motor vehicles	10 – 20%

15. PLANT AND EQUIPMENT (Continued)

Construction in progress as at 31 December 2014 represents warehouse and a machinery for novel space services segment.

As at 31 December 2014, the carrying value of plant and machinery in respect of assets held under finance lease was approximately HK$4,543,000 (31 March 2014: HK$6,053,000).

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2013	27,500
Disposal	(1,794)
Loss on changes in fair value recognised in profit or loss	(106)
At 31 March 2014	25,600
Disposal	(12,608)
Gain on changes in fair value recognised in profit or loss	108
At 31 December 2014	13,100

Investment properties represent the residential premises located in Hong Kong.

The fair values of the Group's investment properties at 31 December 2014 and 31 March 2014 have been arrived at on the basis of a valuation carried out on that day by RHL Appraisal Limited, an independent qualified professional valuer that is not connected with the Group.

The fair value was determined based on the "Direct Comparison Method", where the value is assessed by reference to the comparable properties of similar size, character and location, factoring in all the respective advantages and disadvantages of each property in order to arrive at the comparison of capital value.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes were measured using the fair value model and were classified and accounted for as investment properties.

At 31 March 2014, the fair value of the Group's investment property pledged as security for the banking facility granted to the Group amounts to approximately HK$13,000,000.

At 31 December 2014, no investment property in the Group is pledged.

16. INVESTMENT PROPERTIES (Continued)

The carrying amounts of investment properties shown above comprise:

	31.12.2014 HK$'000	31.03.2014 HK$'000
Land in Hong Kong:		
Long-term lease	**13,100**	12,600
Medium-term lease	**–**	13,000
	13,100	25,600

The fair value measurements for all of the Group's investment property is categorised as level 3 (see note 3). The following table gives information about how the fair values of the investment property as at 31 December 2014 and 31 March 2014 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised level 3 based on the degree to which the inputs to the fair value measurements is observable.

Properties	Fair value hierarchy	Valuation technique & key input	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Property 1 – located in New Territories, Hong Kong*	Level 3	Direct comparison method The key input is price per square foot	Price per square foot, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$6,190 per square foot as at 31 March 2014	A slight increase in the price per square foot will increase significantly the fair value
Property 2 – located in Hong Kong Island, Hong Kong	Level 3	Direct comparison method The key input is price per square foot	Price per square foot, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$14,071 per square foot as at 31 December 2014 (31 March 2014: HK$13,534 per square foot)	A slight increase in the price per square foot will increase significantly the fair value

* The investment property was disposed of during the period ended 31 December 2014.

During the period ended 31 December 2014 and year ended 31 March 2014, there were no transfers between level 1 and level 2, or transfers into or out of level 3.

17. GOODWILL

	HK$'000
COST	
At 1 April 2013, 31 March 2014 and 31 December 2014	84,054
IMPAIRMENT	
At 1 April 2013	–
Impairment loss recognised in the year	36,393
At 31 March 2014	36,393
Impairment loss recognised in the period	34,160
At 31 December 2014	70,553
CARRYING VALUES	
At 31 December 2014	13,501
At 31 March 2014	47,661

For the purposes of impairment testing, goodwill has been allocated to an individual cash-generating unit ("CGU"), being the subsidiaries operating in paper business segment.

The Group conducted impairment review on goodwill attributable to the paper business segment at the end of the reporting period by reference to its estimated recoverable amount. The recoverable amount of the paper business segment has been determined based on a value-in-use calculation and an impairment loss was recognised in respect of this CGU amounting to approximately HK$34,160,000 during the period ended 31 December 2014 (year ended 31 March 2014: HK$36,393,000) due to the unfavorable performance of the industry. The recoverable amount of the CGU, determined by using value-in-use, was approximately HK$72,324,000 (31 March 2014: HK$93,724,000). Accordingly, the excess of the carrying amount of the assets and liabilities, including goodwill of the CGU over the recoverable amount of the CGU was recognised as an impairment loss, amounting to approximately HK$34,160,000.

That calculation used cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period, with pre-tax discount rate of 11.19% (31 March 2014: 10.04%). The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3% (at 31 March 2014: 3%). The growth rate was based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. The key assumptions for the value-in-use calculation related to the estimation of cash flows included gross margin and discount rate. Gross margin represents budgeted gross margin, which is based on past performance and the management's expectation for the market development. The discount rate used is pre-tax rates that reflect current market assessments of the risks specific to the relevant industry. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying value of paper business segment to exceed its aggregate recoverable amount.

17. GOODWILL (Continued)

An impairment loss was recognised during the period because the revenue and profit margins of the CGU had been lower than expected. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

18. PREPAID LEASE PAYMENTS

	HK$'000
At 1 April 2013	9,164
Amortisation charge to profit or loss	(215)
At 31 March 2014	8,949
Amortization charge to profit or loss	(36)
Disposal (note 32)	(8,913)
At 31 December 2014	–

	31.12.2014 HK$'000	31.03.2014 HK$'000
Analysed for reporting purposes as:		
Non-current assets	**–**	8,733
Current assets	**–**	216
	–	8,949

The prepaid lease payments represent cost of land use rights in respect of land located in the PRC held under medium term leases. During the period ended 31 December 2014, the Group disposed the land use rights through the disposal of Miracle True Investment Limited and its subsidiary ("Miracle True Group") to an independent third party. Details of this disposal are as set out in note 32.

19. INVENTORIES

	31.12.2014 HK$'000	31.03.2014 HK$'000
Raw materials	**3,254**	5,630
Work in progress	**10,724**	9,031
Finished goods	**387**	2,174
	14,365	16,835

20. TRADE AND OTHER RECEIVABLES

For the period ended 31 December 2014 and the year ended 31 March 2014, the Group allowed an average credit period of 30 to 60 days to its trade customers.

Before accepting any new customer, the Group management would assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed from time to time. No allowances for doubtful debts are recognized against trade receivables at 31 December 2014 and 31 March 2014 based on estimated recoverable amount determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The following is an aged analysis of trade receivables presented based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period.

	31.12.2014 HK$'000	31.03.2014 HK$'000
Trade receivables		
0 – 30 days	**7,835**	7,034
31 – 60 days	**7,056**	1,584
61 – 90 days	**3,285**	3,184
91 – 180 days	**292**	288
181 – 365 days	**146**	24
	18,614	12,114
Deposits and other receivables	**2,523**	639
Interest receivables	**4,237**	–
Loan receivable (note)	**6,346**	–
Prepayments	**1,691**	254
	33,411	13,007

The Group did not hold any collateral over these balances.

Note:

Amount represents interest free loan advanced to Martin Aircraft Company Limited ("MACL") amounting to AUD1,000,000 (equivalent to approximately HK$6,346,000) as at 31 December 2014 (31 March 2014: Nil). The repayment of the loan shall be made by way of offsetting the loan amount against the convertible securities subscription price payable by the Company on subscription of the convertible securities (note 40).

20. TRADE AND OTHER RECEIVABLES (Continued)

An amount due from a related company is included in the above trade receivables. Disclosure pursuant to section 161B of the Companies Ordinance is as follows:

	Maximum amount outstanding during the period HK$'000	31.12.2014 HK$'000	31.03.2014 HK$'000
New Spring Label			
0 – 30 days		1,433	802
31 – 60 days		1,412	1,038
61 – 90 days		2,011	–
91 – 180 days		198	–
181 – 365 days		113	–
	6,759	5,167	1,840

The amount due from a related company is unsecured, non-interest bearing, and trading in nature with credit period of 30 days.

The Group's trade and other receivables that are denominated in currencies other than the functional currency of the group entities are set out below:

	31.12.2014 Equivalent to HK$'000	31.03.2014 Equivalent to HK$'000
USD	2,689	3,618
AUD	6,346	–

20. TRADE AND OTHER RECEIVABLES (Continued)

Aging of trade receivables which are past due but not impaired:

	31.12.2014 **HK$'000**	31.03.2014 HK$'000
Overdue by:		
0 – 30 days	**5,303**	3,184
31 – 60 days	**2,625**	288
61 – 90 days	**143**	24
91 – 180 days	**294**	–
	8,365	3,496

Trade receivables which are past due but not impaired related to customers that had good track records with the Group. There has not been a significant change in the credit quality and the balances were still considered fully recoverable.

21. HELD FOR TRADING INVESTMENTS

The held for trading investments comprise equity securities listed in Hong Kong and were stated at fair values which are based on the quoted market bid prices on the Stock Exchange.

22. BANK BALANCES AND CASH/PLEDGED DEPOSIT

	31.12.2014 HK$'000	31.03.2014 HK$'000
Cash and cash equivalent:		
Bank balances and cash (note a)	**1,485,818**	10,970
Deposits in other financial institutions (note b)	**–**	33,354
	1,485,818	44,324
Pledged deposit (note c)	**187,575**	–

(a) The bank balances carry interest rates ranging from 0.001% to 4.35% (31 March 2014: 0.01% to 0.35%) per annum.

(b) The amount represented deposit placed with securities broker in Hong Kong and it was repayable on demand and carried interest at prevailing market rates as at 31 March 2014.

(c) Pledged deposit represents a deposit pledged to a bank to secure a bank borrowing granted to the Group as set out in note 24. It carries fixed interest rate at 4.05%.

The Group's bank balances and cash and pledged deposit that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	31.12.2014 '000	**Equivalent to HK$ '000**	31.03.2014 '000	Equivalent to HK$ '000
RMB	**1,295,049**	**1,619,464**	997	1,260
USD	**5,501**	**42,092**	–	–
AUD	**2**	**14**	–	–

23. TRADE AND OTHER PAYABLES, AND DEFERRED REVENUE/LONG TERM PAYABLE

The following is an aged analysis of trade payables and note payables presented based on the invoice date at the end of the reporting period.

	31.12.2014 HK$'000	31.03.2014 HK$'000
Trade payables		
0 – 90 days	**9,561**	3,985
Over 90 days	**3,753**	4,059
	13,314	8,044
Deferred revenue	**5,719**	–
Deposit received	**106**	270
Other payables and accruals (note a)	**56,522**	5,608
Long term payable (note b)	**345**	–
	76,006	13,922
Presented on the consolidated statement of financial position as:		
Long term payable	**345**	–
Trade and other payables	**75,661**	13,922
	76,006	13,922

All Group's trade payables are denominated in the functional currency of the group entities.

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes:

(a) As at 31 December 2014, included in other payables and accruals is a balance due to a related company of approximately HK$41,463,000 mainly in relation to the financial advisory services on the acquisition of MACL performed for the Company. The balance is due to REORIENT Financial Markets Limited ("REORIENT"). REORIENT is ultimately a wholly-owned subsidiary of REORIENT Group Limited ("RGL"), a listed company in the Stock Exchange, and Mr. Ko, an executive director and a shareholder of the Company, is a director and the controlling shareholder of RGL. The amount is unsecured, non-interest bearing and repayable on demand.

In addition, as at 31 December 2014, balance of other payables and accruals comprises (i) approximately HK$135,000 (31 March 2014: HK$170,000) due to a related company, Beautiking Investments Limited ("Beautiking"), of which Mr. Ng and Ms. Li are the directors and the controlling shareholders; and (ii) approximately HK$212,000 (31 March 2014: Nil) due to a related company, New Spring Group Co. Ltd ("New Spring Group"), of which Mr. Ng and Ms. Li are the directors. Both amounts are unsecured, non-interest bearing and repayable on demand.

(b) As at 31 December 2014, amount represents retention money for construction in progress payable over one year but within two years from the end of the reporting period.

24. BANK BORROWINGS

	31.12.2014 HK$'000	31.03.2014 HK$'000
Secured mortgage loan (note a)	–	5,754
Secured borrowings (note b)	140,000	–
	140,000	5,754
Carrying amount repayable		
Within one year	–	179
More than one year, but not exceeding two years	–	183
More than two years but not more than five years	140,000	580
More than five years	–	4,812
	140,000	5,754
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	–	(5,575)
Less: Amounts repayable within one year shown under current liabilities	–	(179)
Amounts shown under non-current liabilities	140,000	–

Notes:

(a) The effective interest rate (which also equals to contracted interest rate) on the Group's mortgage loan was 2.625% for the year ended 31 March 2014.

The secured mortgage loan is secured by certain assets of the Group as set out in note 35 as at 31 March 2014. During the period, the investment property was sold and the related mortgage was released.

(b) During the period ended 31 December 2014, the Group obtained a bank loan for the purpose of settling the consideration in respect of the investment in MACL as set out in note 40. The borrowing carried interest at three-month HIBOR plus a margin of 2.8% which is approximately 3.18%. A deposit is pledged for the borrowing as set out in note 22.

25. OBLIGATIONS UNDER FINANCE LEASE

	31.12.2014 HK$'000	31.03.2014 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**1,400**	1,283
Non-current liabilities	**233**	1,400
	1,633	2,683

The Group leases a certain of its machinery under finance lease. The remaining contracted lease term is within 2 years. Interest rates are fixed at the contract date. For the period ended 31 December 2014, the average effective borrowing rate (which was also equal to contracted interest rate) was 3% (year ended 31 March 2014: 3% to 7.68%) per annum. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	31.12.2014 HK$'000	31.03.2014 HK$'000	**31.12.2014 HK$'000**	31.03.2014 HK$'000
Amounts payable under finance lease				
Within one year	**1,610**	1,476	**1,400**	1,283
In more than one year but not more than two years	**268**	1,610	**233**	1,400
	1,878	3,086	**1,633**	2,683
Less: Future finance charges	**(245)**	(403)	**–**	–
Present value of lease obligations	**1,633**	2,683	**1,633**	2,683
Less: Amount due for settlement within one year shown under current liabilities			**(1,400)**	(1,283)
Amount due for settlement after one year			**233**	1,400

The Group's obligations under finance lease are secured by the lessors' charge over the leased assets (note 15).

26. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2014 HK$'000	31.03.2014 HK$'000
Deferred tax assets	**–**	28
Deferred tax liabilities	**(119)**	(185)
	(119)	(157)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior periods:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 2013	229	(54)	175
(Credit) Charge to profit or loss	(44)	26	(18)
At 31 March 2014	185	(28)	157
(Credit) Charge to profit or loss	(66)	28	(38)
At 31 December 2014	119	–	119

At the end of the reporting period, the Group had unused tax losses of approximately HK$24,112,000 (31 March 2014: approximately HK$22,749,000) available for offset against future profits. No deferred tax asset has been recognised for such losses as at 31 December 2014 (31 March 2014: a deferred tax asset has been recognised has HK$170,000 of such tax losses) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$352,000 (31 March 2014: HK$7,099,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

27. SHARE CAPITAL

Ordinary shares	**Number of shares**	**Equivalent to** HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
at 1 April 2013, 31 March 2014	10,000,000,000	100,000
Reclassification (note a)	(2,683,383,332)	(26,833)
At 31 December 2014	7,316,666,668	73,167
Issued and fully paid:		
At 1 April 2013	1,207,921,125	12,079
Placing of shares (note c)	241,580,000	2,416
At 31 March 2014 and 1 April 2014	1,449,501,125	14,495
Subscription of shares (note a)	1,666,666,668	16,667
Subscription of shares (note b)	289,900,000	2,899
At 31 December 2014	3,406,067,793	34,061

	Number of shares	**Equivalent to** HK$'000
Preferred shares		
Authorised:		
Preferred shares of HK$0.01 each		
at 1 April 2013, 31 March 2014	–	–
Reclassification (note a)	2,683,383,332	26,833
At 31 December 2014	2,683,383,332	26,833
Issued and partially paid of HK$0.004 each:		
At 1 April 2013, 31 March 2014	–	–
Subscription of shares (note a)	2,683,333,332	10,733
At 31 December 2014	2,683,333,332	10,733

27. SHARE CAPITAL (Continued)

Notes:

a. On 29 May 2014, the Company and certain subscribers ("Subscribers") entered into a subscription agreement ("Subscription Agreement"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 subscription shares ("Subscription Share(s)"), comprising 1,666,666,668 new ordinary shares and 2,683,333,332 new preferred shares ("preferred shares") at an issue price of HK$0.08 per Subscription Share. The aggregate gross subscription price amounts to approximately HK$348,000,000. The subscription was completed on 22 August 2014 pursuant to the specific mandate obtained at the special general meeting of the Company held on 21 August 2014 and according to the terms of the Subscription Agreement, 1,666,666,668 new ordinary shares have been duly allotted and issued as fully paid and 2,683,333,332 preferred shares have been duly allotted and issued as partially paid at HK$0.004 per preferred share, representing 5% of the total issue price. In the event that by the last day of the relevant payment dates (i.e. 22 February 2015 and 22 February 2016), the relevant holders of the preferred shares have not paid in full its balance of the aggregate issue price of the preferred shares, such preferred shares issued to such holders of the preferred shares will be forfeited. The gross proceeds received up to 31 December 2014 was approximately HK$144,067,000. Subsequent to 31 December 2014, the Company has received approximately HK$102,000,000 from the relevant holders of the preferred shares as set out in note 40.

   As one of the conditions precedent to the Subscription Agreement, the Company has reclassified and redesignated the existing shares of the Company of HK$0.01 each in the authorised share capital of the Company into 7,316,666,668 ordinary shares of HK$0.01 each and 2,683,333,332 preferred shares of HK$0.01 each.

   Each preferred share is convertible into one ordinary share by the preferred shareholder serving the conversion notice to the Company within the conversion period, without the payment of any additional consideration after the preferred shares have been fully paid according to the terms set out in the Subscription Agreement. The conversion period commences from 22 August 2014 and ends on 22 August 2016.

   The holders of the preferred shares are not entitled to attend or vote at any general meeting of the Company and none of the preferred shares shall receive any dividend out of the funds of the Company available for distribution.

b. On 12 September 2014, 14 September 2014 and 15 September 2014, the Company entered into subscription agreements pursuant to which the Company has conditionally agreed to allot and issue aggregate 289,900,000 ordinary shares at the subscription price of HK$5.386 per share. None of the subscribers were connected persons of the Company and its connected persons. The subscription of ordinary shares was completed on 29 September 2014. The gross proceeds received in respect of this subscription was approximately HK$1,561,401,000.

c. On 13 May 2013, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place in aggregate a maximum of 241,580,000 placing shares at the placing price of HK$0.1 per share to not fewer than six places who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons. The placing of shares was completed on 5 June 2013. The gross proceeds received in respect of this placement was approximately HK$24,158,000.

28. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which is matched by employees. The total costs charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$128,000 for the period ended 31 December 2014 (year ended 31 March 2014: HK$116,000) represent retirement benefit contributions payable to the MPF Scheme by the Group.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total costs charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$2,353,000 for the period ended 31 December 2014 (year ended 31 March 2014: HK$817,000) represent retirement benefit contributions payable to this scheme by the Group.

29. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 31 July 2012, a share option scheme (the "Scheme") was adopted by the Company. The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employee or director of the Company or any adviser, consultant, agent, contractor, customers and supplier of any member of the Group or whom the Board in its sole discretion considers eligible for the Scheme on the basis of his or her contribution to the Group.

On 26 August 2014, a total of 67,747,000 share options under the Scheme were granted. These share options have an exercise price of HK$5.386 per share and an exercisable period ranging from 26 August 2015 to 25 August 2019. Of the total 67,747,000 share options, 24,900,000 share options were granted to executive directors of the Company, and 42,847,000 share options were granted to certain employees of the Group.

The share options granted in the period ended 31 December 2014 would be vested in tranches. The first 33% of the Share Options granted are exercisable on or after 26 August 2015, the second 33% of the Share Options granted are exercisable on or after 26 August 2016 and the next 34% of the Share Options granted are exercisable on or after 26 August 2017. No share options were vested during the year. The number of share options outstanding as at 31 December 2014 was 67,747,000.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair value of the 67,747,000 share options granted was approximately HK$115,432,000, of which the Group recognised a share-based payment expense of HK$18,138,000 during the period from 1 April 2014 to 31 December 2014 (year end 31 March 2014: Nil). The share options grant on 26 August 2014 were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

Share price at the date of grant (HK$)	5.15
Exercise price (HK$)	5.386
Expected volatility	42.49%
Risk-free interest rate (%)	1.259%
Exercise multiple	2.2 – 2.8
Expected dividend yield	Nil

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options	**Exercise price** HK$ per share	**Vesting date**	**Exercise period**
22,356,510	5.386	26 August 2015	26 August 2015 to 25 August 2019
22,356,510	5.386	26 August 2015	26 August 2016 to 25 August 2019
23,033,980	5.386	26 August 2015	26 August 2017 to 25 August 2019
67,747,000			

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes bank borrowings disclosed in note 24 and equity attributable to owners of the Company, comprising share capital and reserves.

The directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as raising of new borrowings and repayment of existing borrowings.

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31.12.2014 HK$'000	31.03.2014 HK$'000
Financial assets		
FVTPL-held for trading investments	–	4,260
Loans and receivables at amortised cost (including cash and cash equivalents)	**1,838,390**	57,077
	1,838,390	61,337
Financial liabilities		
Liabilities at amortised cost	**211,814**	22,089

b. Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, pledge deposit trade and other receivables, trade and other payables, loan receivable, obligation under finance lease and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 19.4% (31 March 2014: 25.3%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst all costs are denominated in the functional currency of the group entity.

Certain deposit paid for acquisition of a company, trade and other receivables and bank balances of the Group are denominated in Australian Dollar ("AUD"), United States Dollars ("US$"), Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Foreign currency sensitivity

The following details the Group's sensitivity to a 5% (31 March 2014: 2%) increase and decrease in HK$ against the relevant foreign currencies. The percentages represent management's assessment of the reasonably possible change in exchange rates for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period/year end for the reasonably possible change in foreign currency rates.

A positive number below indicates an increase in profit where HK$ weakens 5% (year ended 31 March 2014: 2%) against the relevant foreign currencies. For a 5% (year ended 31 March 2014: 2%) strengthening of HK$ against the relevant foreign currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Impact of AUD		**Impact of RMB**	
	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000	**01.04.2014 to 31.12.2014 HK$'000**	01.04.2013 to 31.03.2014 HK$'000
Sensitivity rate	**5%**	2%	**5%**	2%
Profit or loss	**6,664**	–	**77,555**	–

No sensitivity analysis is performed for the potential fluctuation of the HK$ against US$ as these two currencies are pegged.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period end exposure does not reflect the exposure during the period/year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance lease (see note 25 for details of the obligation). 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.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 24 for details of these borrowings) and bank balances (see note 22 for details of these bank balances). It is the Group's policy to keep certain of its borrowings at floating rate of interests so as to reduce the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate determined by the Hong Kong Interbank Offer Rate (HIBOR) arising from the Group's Hong Kong dollar denominated borrowings.

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to variable interest rates bank borrowings at the end of the reporting period. Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation during the period from 1 April 2014 to 31 December 2014.

For the current reporting period, a 100 basis points (year ended 31 March 2014: 100 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. If interest rate had been 100 basis points (year ended 31 March 2014: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year would increase or decrease by approximately HK$1,400,000 (year ended 31 March 2014: increase or decrease by approximately HK$320,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the period end exposure does not reflect the exposure during the period.

Credit risk

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

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that the follow-up action is taken to recover overdue debts. In this regard, the directors consider that Group's credit risk is significantly reduced.

The credit risk on liquid funds and concentration of credit risk are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 65% (31 March 2014: 61%) of the total trade receivable as at 31 December 2014. The Group does not have other significant concentration of credit risk as the trade and other receivables consist of a large number of debtors.

Liquidity risk

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

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

At 31 December 2014

	Weighted average interest rate	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	–	69,836	–	–	69,836	69,836
Long term payable	–	–	345	–	345	345
Obligation under finance lease	3%	1,610	403	–	2,013	1,633
Bank borrowings	3.18%	4,447	4,459	144,459	153,365	140,000
		76,238	4,862	144,459	225,559	211,814

At 31 March 2014

	Weighted average interest rate	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	–	13,652	–	–	13,652	13,652
Obligations under finance leases	3%	1,476	1,610		3,086	2,683
Bank borrowings	2.63%	5,754	–	–	5,754	5,754
		20,882	1,610	–	22,492	22,089

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

c. Fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

32. DISPOSAL OF SUBSIDIARIES

On 26 June 2014, the Group disposed of Miracle True Group which holds a land use right in the PRC to an independent third party for a cash consideration of approximately HK$12,023,000.

Analysis of assets and liabilities over which control was loss:

	26.06.2014 HK$'000
Prepaid lease payment (note)	8,913
Bank balances and cash	22
Net assets disposed of	8,935

Gain on disposal of a subsidiary:

	26.06.2014 HK$'000
Consideration received	12,023
Net assets disposed of	(8,935)
Cumulative exchange differences in respect of the net assets of subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	215
Gain on disposal	3,303

32. DISPOSAL OF SUBSIDIARIES (Continued)

Net Cash inflow on disposal of a subsidiary:

	26.06.2014 HK$'000
Cash consideration	12,023
Less: bank balances and cash disposed of	(22)
	12,001

Note: At 31 March 2014, the carrying amount of the prepaid lease payment was approximately HK$8,949,000, represented by approximately HK$8,733,000 in the non-current assets and approximately HK$216,000 in the current assets of the Group.

33. OPERATING LEASES

The Group as lessor

Property rental income earned during the period was approximately HK$503,000 (for the year ended 31 March 2014: HK$785,000). All of the Group's investment properties are held for rental purposes. One of the properties was disposed during the period ended 31 December 2014 as set out in note 16. The property held has committed tenants for the next one year.

At the end of the period, the Group has contracted with tenants for the following future minimum lease payments:

	31.12.2014 HK$'000	31.03.2014 HK$'000
Within one year	**115**	433
In the second to fifth year inclusive	**–**	1
	115	434

The Group as lessee

	31.12.2014 HK$'000	31.03.2014 HK$'000
Minimum lease payments paid under operating leases for premises during the period	**1,283**	1,621

33. OPERATING LEASES (Continued)

The Group as lessee (Continued)

At the end of the period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2014 HK$'000	31.03.2014 HK$'000
Within one year	**3,054**	2,657
In the second to fifth years inclusive	**4,193**	722
	7,247	3,379

As at 31 December 2014, operating leases relate to factory and offices with lease terms between 1 to 3 years (31 March 2014: 1 to 3 years). The Group does not have an option to purchase the leased assets at the expiry of the lease period.

34. CAPITAL COMMITMENTS

	31.12.2014 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of the acquisition of:	
Plant and equipment	**18,317**
A company	**190,380**
	208,697

There was no capital commitment as at 31 March 2014.

35. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Group were pledged to secure banking facilities and obligations under finance lease granted to the Group as follows:

	31.12.2014 HK$'000	31.03.2014 HK$'000
Investment properties (note 16c)	**–**	13,000
Plant and equipment under finance lease (note 15)	**4,543**	6,053
Pledge deposit (note 22)	**187,575**	–
	192,118	19,053

36. RELATED PARTY TRANSACTIONS

(i) Related party balances are set out in notes 20 and 23 to the consolidated financial statements.

(ii) During the period, the Group entered into the following transactions with its related companies:

Name of related companies	**Nature**	Notes	**01.04.2014 to 31.12.2014 HK$'000**	01.04.2013 to 31.03.2014 HK$'000
New Spring Label	Sales of packaging products	(a)	**21,537**	40,842
New Spring Label	Management fee income	(b)	**666**	720
Beautiking	Rental expenses	(c)	**135**	180
New Spring Group	Rental expenses	(d)	**162**	–
Kuang-Chi Innovative Technology Limited	Research and development expenses	(e)	**55,000**	–
REORIENT	Advisory expenses	(f)	**30,126**	–
REORIENT	Share issue expenses	(g)	**17,400**	–
REF Financial Press Limited	Financial printing services expenses	(h)	**784**	–

36. RELATED PARTY TRANSACTIONS (Continued)

(ii) During the period, the Group entered into the following transactions with its related companies: (Continued)

Notes:

(a) The sale of packaging products was mutually agreed by the Group and the related company. The outstanding balance included in note 20 is trading in nature with credit period of 60 days.

(b) The management fee income was charged on a monthly fixed amount mutually agreed by the Group and the related company.

(c) The rental expenses paid were charged on a monthly fixed amount basis as mutually agreed by the Group and the related company.

(d) The rental expenses were charged on a monthly fixed amount basis as mutually agreed by the Group and the related company.

(e) The research and development expenses relate to a technology development agreement signed on 22 August 2014 in terms of which the related party would provide consultancy services to the Company to develop a civil near space flying apparatus. The terms of the non-recurring agreement were mutually agreed between the Group and the related company.

(f) The advisory expenses represent financial advisory services in respect of the transactions contemplated under the acquisition of MACL and other service. The terms of the non-recurring agreement were mutually agreed between the Group and the related company.

(g) The share issue expenses relate to the subscription of shares as set out in note 27a. The terms of the non-recurring agreement were mutually agreed between the Group and the related company.

(h) The financial printing services expenses represent printing fee for announcements, reports and circulars of the Company. The financial printing services fee was mutually agreed between the Group and the related company of which, Mr. Lau Man Tak, an independent non-executive director of the Company, is a director and the controlling shareholder.

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	01.04.2014 to 31.12.2014 HK$'000	01.04.2013 to 31.03.2014 HK$'000
Short-term benefits	**2,171**	1,339
Post-employment benefits	**40**	26
Share-based payment	**6,484**	–
	8,695	1,365

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Details of the Company's principal subsidiaries as at 31 December 2014 and 31 March 2014 are disclosed as follows:

Name of subsidiary	Place of incorporation	Principal place of business	Issued and fully paid share/ registered capital	Percentage of nominal value of issued share/ registered capital directly held by the Company		Principal activities
				31.12.2014	31.3.2014	
Direct subsidiaries						
Fanda Pacific Limited	BVI	Hong Kong	US$1	100%	100%	Investment holding
New Able Investments Limited	BVI	Hong Kong	US$1	100%	100%	Investment holding
Instant Up Limited	Hong Kong	Hong Kong	HK$1	100%	100%	Provision of administrative services
Sky Will Printing & Packaging (Holdings) Limited	BVI	Hong Kong	US$100	100%	100%	Investment holding
Indirect subsidiaries						
Get Billion Investment Limited	Hong Kong	Hong Kong	HK$1	100%	100%	Property investment
Kingdom Wealthy Limited	Hong Kong	Hong Kong	HK$2	100%	100%	Property investment
Miracle True Investments Limited (Note 32)	Hong Kong	Hong Kong	HK$10,000	–	100%	Investment holding
* New Spring Offset Printing (Shenzhen) Limited *新高準柯式印刷(深圳)有限公司	PRC	PRC	HK$12,000,000	100%	100%	Manufacture and trading of of packaging products
New Spring (SW) Printing & Packaging Limited 新高準(天安)印刷包裝有限公司	Hong Kong	Hong Kong	HK$10,000	100%	100%	Trading of packaging products
*Shenzhen Kuang Chi Space Technology Limited *深圳光啟空間技術有限公司	PRC	PRC	USD5,000,000	100%	–	Provision of novel space services and other innovative technology business
Sky Will Printing & Packaging Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	Investment holding and trading of packaging products

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Note:

(a) None of the subsidiaries had any debt securities outstanding as at the end of the reporting period or at any time during the reporting period.

* A wholly-foreign-owned enterprise established under the PRC law. The English name is for identification purpose only.

The table below shows details of a non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests for the period/year ended		Balance of non-controlling interests as at	
		31.12.2014	31.03.2014	**31.12.2014 HK$'000**	31.03.2014 HK$'000	**31.12.2014 HK$'000**	31.03.2014 HK$'000
Shen Zhen KuangChi Manned Space Technology Limited (Manned Space Technology) 深圳光啟載人空間技術有限公司	PRC	**28.57%**	–	**–**	–	**5,002**	–
						5,002	–

Summarised financial information extracted from the consolidated financial statements prepared in accordance with the key Financial Reporting Standards before intragroup eliminations in respect of a subsidiary that has material non-controlling interests is set out below.

	31.12.2014 HK$'000
Manned Space Technology	
Current assets	**17,509**
Equity attributable to owners of Manned Space Technology	**12,507**
Non-controlling interests	**5,002**
Net cash from financing activities	**17,509**
Net increase in cash and cash equivalents	**17,509**

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31.12.2014 HK$'000	31.03.2014 HK$'000
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Amounts due from subsidiaries	1,141,593	–
Investment in subsidiaries (unlisted)	629,731	83,447
Deposit paid for acquisition of a company	133,277	–
	1,904,601	83,447
CURRENT ASSETS		
Amounts due from subsidiaries	–	77,964
Other receivables	6,794	252
Bank balances and cash	748	–
	7,542	78,216
CURRENT LIABILITY		
Other payables	42,751	1,944
	42,751	1,944
NET CURRENT (LIABILITY) ASSETS	35,209	76,272
TOTAL ASSET LESS CURRENT LIABILITIES	1,869,392	159,719
NON-CURRENT LIABILITIES		
Bank borrowing	140,000	–
TOTAL ASSET	1,729,392	159,719
CAPITAL AND RESERVES		
Share capital		
– Ordinary shares (note 27)	34,061	14,495
Share capital		
– Preferred shares (note 27)	10,733	–
Reserves	1,684,598	145,224
TOTAL EQUITY	1,729,392	159,719

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in reserves

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Shares-based payment reserve scheme HK$'000	Total HK$'000
At 1 April 2013	233,835	103,941	(177,407)	–	160,369
Loss and total comprehensive expense for the year	–	–	(36,203)	–	(36,203)
Placing of shares (note 27c)	21,742	–	–	–	21,742
Transaction cost attributable to placing of shares	(684)	–	–	–	(684)
At 31 March 2014	254,893	103,941	(213,610)	–	145,224
Loss and total comprehensive income for the year	–	–	(132,198)	–	(132,198)
Subscription of shares (note 27a)	116,667	–	–	–	116,667
Subscription of shares (note 27b)	1,558,502	–	–	–	1,558,502
Transaction cost attributable to subscription of shares	(21,735)	–	–	–	(21,735)
Recognition of share-based payments	–	–	–	18,138	18,138
At 31 December 2014	1,908,327	103,941	(345,808)	18,138	1,684,598

39. COMPARATIVE FIGURES

Certain comparative figures for the consolidated statement of profit and loss and other comprehensive income and consolidated statement of financial position have been reclassified to conform with the current period's presentation. Details are set out as follows:

	As previously reported HK$'000	**Reclassification** HK$'000	**As currently reported** HK$'000
Consolidated statement of profit and loss and other comprehensive income			
Loss arising on change in fair value of investment properties	100	(100)	–
Loss arising on change in fair value of financial assets classified as held for trading investments	672	(672)	–
Administrative expenses	16,118	(1,192)	14,926
Cost of sales	93,755	(481)	93,274
Other gains and losses	–	2,445	2,445
	110,645	–	110,645

	As previously reported HK$'000	**Reclassification** HK$'000	**As currently reported** HK$'000
Consolidated statement of financial position			
Amount due to a related company	170	(170)	–
Trade and other payables	13,752	170	13,922
	13,922	–	13,922

40. EVENTS AFTER THE REPORTING PERIOD

On 19 December 2014, the Company and MACL have entered into an investment agreement ("Investment Agreement"). Pursuant to the Investment Agreement upon MACL fulfilling certain conditions ("Conditions"), the Company will (i) acquire up to 15,000,000 ordinary shares of MACL at an issue price of AUD0.40 per share from certain shareholders of MACL; (ii) subscribe for 40,813,636 new ordinary shares in MACL at an issue price of AUD0.40 per share; (iii) subscribe for convertible securities that are convertible into 57,500,000 new ordinary shares in MACL at an issue price of AUD0.40 per share; the aggregated consideration for the aforementioned acquisition and subscriptions amounts to approximately AUD45,345,000 (equivalent to approximately HK$287,718,000). Subject to the completion of the subscription of the new ordinary shares, the Company will incorporate a company ("HKCo") together with MACL for the development of MACL's jetpack business in the PRC and Hong Kong.

Pursuant to the Investment Agreement, as at 31 December 2014, the Company paid an interest bearing deposit on escrow for approximately AUD 21,000,000 (equivalent to approximately HK$133,277,000), where the deposit would be returned to the Company should MACL not meet the Condition set out in the Investment Agreement.

Subsequently in February 2015, the Conditions were fulfilled by MACL. As at the date that these consolidated financial statements were authorised for issue, the Company has acquired 14,950,000 of the existing shares of MACL and subscribed for MACL's 40,813,636 new shares at an aggregated consideration of approximately AUD 22,305,000 (equivalent to approximately HK$141,527,000). After the above acquisition and subscription of ordinary shares, the Group holds approximately 22.82% of the total shares in MACL (before conversion of the convertible bonds), which will be accounted for as an associate of the Group.

On 17 February 2015, the Company received an additional amount of approximately HK$102,000,000 from the holders of the preferred shares. As a result, 1,341,691,660 of preferred shares are fully paid and none of the preferred shareholders have exercised the convertible rights as at the date that these consolidated financial statements were authorised for issue.

On 25 March 2015, the Group and Zhejiang Longsheng Automotive Parts Stock Limited Corporation ("Longsheng") entered into a subscription agreement, pursuant to which Longsheng has conditionally agreed to issue, and the Group has conditionally agreed to subscribe for 41,958,041 new shares of Longsheng ("Longsheng Shares") at the cash consideration of RMB300,000,000 (equivalent to approximately HK$375,150,000). The 41,958,041 new Longsheng Shares represent approximately 3.21% of the issued share capital of Longsheng as enlarged by the allotment and issue of the new Longsheng Shares under this subscription.

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 March				Period ended 31 December
	2011	2012	2013	2014	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	87,366	–	81,178	113,433	**79,464**
(Loss) profit before tax	(4,367)	(4,790)	3,480	(37,332)	**(152,674)**
Income tax expense	(4)	–	(1,248)	(576)	**(861)**
(Loss) profit for the year	(4,371)	(4,790)	2,232	(37,908)	**(153,535)**
Attributable to:					
Owners of the Company	(4,371)	(4,790)	2,232	(37,908)	**(153,535)**
	(4,371)	(4,790)	2,232	(37,908)	**(153,535)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				As at 31 December
	2011	2012	2013	2014	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	70,849	67,739	268,371	189,715	**1,936,751**
Total liabilities	(2,554)	(4,234)	(87,149)	(22,550)	**(218,510)**
	68,295	63,505	181,222	167,165	**1,718,241**
Share capital	11,486	574	12,079	14,495	**34,061**
Preferred share	–	–	–	–	**10,733**
Reserves	56,809	62,931	169,143	152,670	**1,668,445**
Equity attributable to owners of the Company	68,295	63,505	181,222	167,165	**1,713,239**
Non-controlling interest	–	–	–	–	**5,002**
Total equity	68,295	63,505	181,222	167,165	**1,718,241**