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ALIBABA HEALTH
Information Technology Limited
阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)
Stock code: 00241

ANNUAL REPORT 2015

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. CHEN Xiao Ying *(Executive Vice Chairman)*
Mr. WANG Lei *(Chief Executive Officer)*

Non-Executive Directors

Mr. WU Yongming *(Chairman)*
Mr. ZHANG Yong
Mr. CHEN Jun
Mr. YU Feng

Independent Non-Executive Directors

Mr. YAN Xuan
Mr. LUO Tong
Mr. WONG King On, Samuel

Audit Committee

Mr. WONG King On, Samuel *(Chairman)*
Mr. ZHANG Yong
Mr. YAN Xuan
Mr. LUO Tong

Remuneration Committee

Mr. YAN Xuan *(Chairman)*
Mr. ZHANG Yong
Mr. WONG King On, Samuel

Nomination Committee

Mr. WU Yongming *(Chairman)*
Mr. LUO Tong
Mr. WONG King On, Samuel

AUTHORISED REPRESENTATIVES

Mr. WANG Lei
Mr. AU Kin Fai, HKICPA

COMPANY SECRETARY

Mr. AU Kin Fai, HKICPA

LEGAL ADVISORS

Freshfields Bruckhaus Deringer
H. M. Chan & Co

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants *(retired on August 15, 2014)*

Ernst & Young
Certified Public Accountants *(appointed on August 15, 2014)*

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26/F Tower One
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)

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

PRINCIPAL BANKERS

China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

www.alijk.com

CHAIRMAN'S STATEMENT

For Alibaba Health Information Technology Limited (the "Company") and its subsidiaries, the financial year ended March 31, 2015 was a year full of transformative progress. The Group further strengthened its role as Alibaba Group's healthcare platform and under the government's development guidelines, the Group made meaningful strides in promoting the implementation of the drug product identification, authentication and tracking system ("Drug PIATS") in China. The Group also launched various strategic initiatives to work towards its goal of building a healthcare network to connect participants in China's healthcare industry.

While in compliance with the instruction and supervision of relevant government departments, the Group continued to promote the implementation of the Drug PIATS – further developing our technical know-how and governance systems to strengthen data security of the Drug PIATS. The Group has also been exploring ways to create greater value for regulators and enterprises through the Drug PIATS's value-added services. The Group believes that serving as a core system for information sharing for the pharmaceutical industry, the Drug PIATS will play an important role to not only increase the overall efficiency of pharmaceutical industry participants but also to reduce costs in the pharmaceutical supply chain. In the future, the Group plans to strengthen the infrastructure, expand the application and increase the security of the Drug PIATS. The Group plans to work with the relevant government departments to broaden the use of the Drug PIATS and ensure it will serve as a booster of robust and sustainable growth of China's healthcare industry.

A few factors have contributed to the favorable operating environment for the Group: as reform of the healthcare industry progresses, the market and enterprises have been provided more leeway for development under the support of China's government's policies and initiatives. In addition, increasing household income and an aging population will continue to drive demand for healthcare services and products. Internet, big data applications and new technologies have ignited the potential of addressing the needs of the healthcare industry with specialized tailor-made solutions. With these factors as a backdrop, the Group has invested substantial resources in exploring innovative online solutions for China's healthcare systems. For example, the Group established the Alibaba Health cloud hospital platform and launched the Alibaba Health (Alijk) mobile application to connect consumers with offline retail pharmacies (Online and Offline Pharmacy Platform). The Group aspires to build a network that connects healthcare services providers, insurance companies, third party medical service providers, manufacturers, and distributors. We plan to utilize cloud computing and data analytics and in-depth learning technologies to further grow our business nationwide and to help us ascertain the areas in which we can deliver the best healthcare user experience to the public.

Despite the challenges faced by the Group in the development of its business models given the relatively complicated policy environment and high entry barriers of our businesses, we are confident that by virtue of our experience and resources, we can unite different industry participants to reach their similar goals. Together we can help better manage healthcare industry resources, improve efficiency of diagnoses and treatment of diseases, pharmaceutical distribution and healthcare management; thereby creating value for society, the public and our shareholders.

Our entire staff will strive to generate sustainable returns for our shareholders with our long-term vision, advanced technical skills, innovative concepts, and highly efficient business operation systems. Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners, product users, government authorities and our staff for their long and unwavering support.

WU Yongming
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The key financial figures of the Group for the years ended March 31, 2015 and March 31, 2014 (restated) are summarized as follows:

	2015 HK$'000	2014 HK$'000 (Restated)	Change %
Revenue	**37,180**	27,487	35.3
Gross profit	**19,955**	13,564	47.1
Gross profit percentage	**53.7%**	49.3%	N/A
Other income and gains	**109,047**	4,580	2,280.9
Sales and marketing expenses	**67,517**	6,476	942.6
Administrative expenses	**73,688**	35,318	108.6
Product development expenses	**42,663**	16,877	152.8
Other expenses	**67,801**	882	7,587.2
Share of profits and losses of a joint venture	**7,110**	(1,816)	N/A
Share of profits and losses of an associate	**11,585**	9,602	20.7
Net loss attributable to owners of the Company	**101,526**	39,200	159.0
Loss per share			
Basic and diluted	**HK(1.30) cents**	HK(1.05) cents	23.8

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Results

– **Revenue**

Revenue for the year ended March 31, 2015 was HK$37,180,000, representing an increase of HK$9,693,000 or 35.3%, as compared with HK$27,487,000 (restated) for the preceding year. The increase was mainly due to the following reason:

中信21世紀（中國）科技有限公司 (CITIC 21CN (China) Technology Company Limited) ("CITIC 21CN Technology") (a wholly-owned subsidiary of the Group) and 中信國檢信息技術有限公司 (China Credit Information Technology Company Limited) ("CCIT") (a 50%-owned subsidiary of the Group) are engaged in the operation of product identification, authentication and tracking systems ("PIATS"). The PIATS business revenue for the year ended March 31, 2015 increased by HK$12,260,000 or 49.2% to HK$37,180,000 from HK$24,920,000 for the year ended March 31, 2014. The growth in revenue during the year was due to the increase in joining fee income received from medical and healthcare institutions. During the year ended March 31, 2015, the Group did not generate revenue from system integration and software development, as the operation of this business had been winding down, while that segment accounted for HK$2,567,000 in revenue for the year ended March 31, 2014. The Group does not expect to receive revenue from this business in future periods.

During the year ended March 31, 2015, the Group restated the revenue for the year ended March 31, 2014 from HK$60,215,000 to HK$27,487,000 due to the correction of revenue recognition errors in respect of medical and healthcare institutions. For details please refer to Note 2.3 to the Group's consolidated financial statements for the year ended March 31, 2015.

– **Gross profit percentage**

The Group recorded an improved gross profit percentage of 53.7% for the year ended March 31, 2015 as compared with a gross profit percentage of 49.3% based on the restated figures for the preceding year. The improvement in profitability was mainly attributable to the increase in revenue from the operation of the drug product identification, authentication and tracking system in China ("Drug PIATS") while most of the costs of sales of Drug PIATS were fixed in nature. The Drug PIATS business is a dynamic and evolving business, hence management expects that the gross profit percentage will continue to fluctuate in the near future.

– **Other income and gains**

Other income and gains for the year ended March 31, 2015 was HK$109,047,000, representing an increase of HK$104,467,000 as compared with HK$4,580,000 for the preceding year. The increase was mainly the result of interest income of HK$20,073,000, gain of HK$88,042,000 from the settlement of the Oracle litigation and reversal of related accruals for the year ended March 31, 2015.

– **Sales and marketing expenses**

Sales and marketing expenses for the year ended March 31, 2015 was HK$67,517,000, representing an increase of HK$61,041,000 as compared with HK$6,476,000 for the preceding year. The increase was mainly due to the Group incurring more marketing expenses during the year ended March 31, 2015 to encourage download and usage of the Alibaba Health (Alijk) mobile application; for example, we launched a campaign to promote usage of our O2O Pharmacy Platform. During the year, the Group signed cooperation contracts with over 300 retail pharmacy operators which collectively operate over 20,000 physical retail outlets in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Results (continued)

- **Administrative expenses**

  Administrative expenses for the year ended March 31, 2015 was HK$73,688,000, representing an increase of HK$38,370,000 or 108.6% from HK$35,318,000 for the preceding year. The increase was mainly due to increased staff costs and professional fees. During the year, the Group employed more experienced managers to provide support for the Group's continued expansion into new business areas.

- **Product development expenses**

  Product development expenses for the year ended March 31, 2015 was HK$42,663,000, representing an increase of HK$25,786,000 or 152.8% as compared with HK$16,877,000 for the preceding year. The increase was mainly due to the increase of headcount in respect of our research and development related functions. During the year, the Group recruited more IT engineers to develop our cloud hospital platform and the Alibaba Health (Alijk) mobile application.

- **Other expenses**

  Other expenses for the year ended March 31, 2015 was HK$67,801,000, representing an increase of HK$66,919,000 as compared with HK$882,000 for the preceding year. The increase was mainly due to three reasons: (1) the Group wrote off Oracle licenses and recorded a loss of HK$33,615,000 in the current year; (2) allowance for bad debts of HK$24,237,000 was provided for trade and other receivable balances as at March 31, 2015 mainly due to the relevant customers having limited financial resources to pay us; (3) the Group incurred a foreign exchange loss of HK$7,768,000 from bank deposits denominated in Renminbi. However, this loss was largely offset by the additional interest income we received from bank savings placed in Renminbi.

- **Share of profits and losses of a joint venture**

  Share of profits and losses of a joint venture represented the share of net operating results of our 49%-owned joint venture, 北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited) ("HL95"), which is engaged in telecommunications and information value-added services. The share of profits of HL95 for the year ended March 31, 2015 was HK$7,110,000 as compared with the share of losses of HK$1,816,000 for the preceding year. The improvement was mainly due to several large call centres which were set up in prior years starting to generate profits in the current year.

- **Share of profits and losses of an associate**

  Share of profits and losses of an associate represented the share of net operating results of our 30%-owned associate, Dongfang Customs, which is engaged in electronic customs processing and other electronic government services. The share of profits of 東方口岸科技有限公司 (Dongfang Customs Technology Company Limited) ("Dongfang Customs"), for the year ended March 31, 2015 was HK$11,585,000, representing an increase of HK$1,983,000 or 20.7% as compared with that of HK$9,602,000 for the preceding year. The increase was mainly due to an increased gain from Dongfang Customs' investments in associates and a decrease in labor costs and traveling expenses.

- **Net loss attributable to owners of the Company**

  Net loss attributable to owners of the Company for the year ended March 31, 2015 was HK$101,526,000, representing an increased loss of HK$62,326,000 or 159.0% as compared with HK$39,200,000 for the preceding year.

- **Loss per share**

  Basic and diluted loss per share for the year ended March 31, 2015 was HK1.30 cents, representing an increased loss per share of HK0.25 cents or 23.8% as compared with HK1.05 cents for the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at March 31, 2015 and March 31, 2014 (restated) are summarized as follows:

	March 31, 2015 HK$'000	March 31, 2014 HK$'000 (Restated)
Current assets	**1,542,178**	253,211
Including		
– bank balances and cash (including fixed deposits), which mainly denominated in Hong Kong dollar, United States dollar and Renminbi	**1,522,099**	221,339
– debtors	**15,804**	28,112
Current liabilities	**152,651**	117,227
Current ratio (current assets/current liabilities)	**10.10**	2.16
Quick ratio (bank balances and cash & debtors/ current liabilities)	**10.07**	2.13
Shareholders' equity	**1,657,031**	421,843
Gearing ratio (bank loans/shareholders' equity)	**N/A**	N/A

Bank balances and cash including fixed deposits increased by HK$1,300,760,000 or 587.7% from HK$221,339,000 as at March 31, 2014 to HK$1,522,099,000 as at March 31, 2015. The increase in bank balances and cash was mainly due to the receipt of net proceeds of HK$1,325,870,000 from the issue of new shares by the Company in April 2014 (the "Share Issuance").

Debtors decreased by HK$12,308,000 or 43.8% from HK$28,112,000 (restated) as at March 31, 2014 to HK$15,804,000 as at March 31, 2015. The decrease was the net effect of provisions for bad debts and an increase in other receivables.

As at March 31, 2015, current and quick ratios substantially increased, mainly attributable to the increase in bank balances and cash as mentioned above. The current ratio was 10.10 (2014: 2.16) and the quick ratio was 10.07 (2014: 2.13).

Shareholders' equity increased by HK$1,235,188,000 or 292.8% from HK$421,843,000 (restated) as at March 31, 2014 to HK$1,657,031,000 as at March 31, 2015, mainly due to the Share Issuance with net proceeds which amounted to HK$1,325,870,000.

The Group did not have any bank loans and hence no gearing ratio was shown as at March 31, 2015 and as at March 31, 2014. We expect to fund our working capital and other capital requirements with a combination of sources, including but not limited to cash generated from our operations and the proceeds from the completion of the subscription by Perfect Advance Holdings Limited of 4,423,175,008 shares in the Company on April 30, 2014 (the "Subscription"). The price per share for the Subscription was HK$0.30 per share, which represented a discount of approximately 63.86% to the closing price of HK$0.830 per share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on January 15, 2014, being the last trading day prior to the suspension of trading of the shares of the Company on the Stock Exchange on January 16, 2014. As a result of the Subscription, the Company raised a substantial amount of additional funds, improved the financial position and liquidity of the Group, and provided the Company with the financial flexibility necessary for the Group's future business development. The net proceeds from the Subscription would amount to approximately HK$1,324.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES (continued)

The Group's operations and transactions are principally located in the PRC. Other than bank balances and cash, most of which are placed in fixed deposits, denominated in United States dollars, Hong Kong dollars or Renminbi, other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Directors do not believe that there will be material fluctuations in the exchange rate of US dollars against Hong Kong dollars, the reporting currency, in the foreseeable future, and the steady, slight decrease in the exchange rate of Renminbi against Hong Kong dollars would result in a translation loss for the Group as the net assets of the Group's operating subsidiaries in the PRC are denominated in Renminbi. In addition, the Group is exposed to significant exchange rate risk as a substantial portion of its bank balances and cash are dominated in Renminbi to finance its expansion in China. The Group does not have a foreign exchange hedging policy. Management will closely monitor the exchange rate fluctuations and take necessary measures to keep exposure to a minimum.

DISPOSAL OF A SUBSIDIARY

On December 11, 2013, the Group entered into an agreement with an independent third party to dispose of its entire equity interest in 21CN Advertising Agency Limited, a then subsidiary of the Group, for a cash consideration of RMB7,500,000 (equivalent to HK$9,375,000). The transaction was completed immediately upon signing of the agreement and no gain or loss is resulted for the year ended March 31, 2014.

BUSINESS REVIEW

The Group is a technology-enabled solution provider with a mission to build a network where it will connect participants in China's healthcare industry.

- ### PIATS Business

  The Company's subsidiaries, CITIC 21CN Technology and CCIT, are principally engaged in the provision of product tracking, recalling and enforcing information services to relevant PRC regulators through the operation of PIATS; the provision of product tracking and logistics information services to manufacturers; and the provision of product information and authentication services to consumers. Since its launch, the innovative concept of PIATS has achieved widespread adoption across the pharmaceutical industry in the PRC, and has also been applied to certain food and beverage, cosmetic and agricultural resource products. This application of PIATS has achieved remarkable results, by effectively protecting enterprise and product brands and helping to maintain an orderly market, and by establishing an integrity system for the market that is recognized by consumers, the government and enterprises.

  During the year, the Group continued to promote the implementation of Drug PIATS and provide related technical support services, corporate training and implementation guidance. The Group strengthened data security of the platform and successfully qualified for the Ministry of Public Security's ("公安部信息安全等級保護三級") Information Security Protection Level Three certification. Under the instruction and supervision of relevant government departments, the Group delivered data-driven value-added solutions targeted towards regulators and enterprises.

  Future prospects

  The use of an electronic tracking system is an important means for the PRC regulators to strengthen its supervision of retail pharmaceutical distribution channels. The Group believes that China's regulators will continue to promote in stages the application of such electronic tracking system beyond drugs on the government's Essential Drug List to the broader healthcare industry. The Group will continue to work closely with the relevant regulators and further expand the scope and depth of the Drug PIATS application. The Company has also been exploring ways to create greater value for its customers through the Drug PIATS's value-added services. The Company believes that the provision of the Drug PIATS's value-added services will help to drive a significant increase in traffic and data size of the Drug PIATS.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

- ### Cloud Hospital Platform

  The Group established the Alibaba Health cloud hospital platform to connect doctors, patients, pharmacies and third-party medical service providers. By promoting data and knowledge sharing on the platform, the Group aims to provide support and resources sharing for medical service providers to offer more comprehensive services to patients. In addition, the platform helps to increase levels of digitalization and standardization of medical institutions and enhance the quality and efficiency of medical services. As a result, this will encourage doctors to practise at multiple locations and provide the public with better and more reliable services. Furthermore, this will also facilitate better governance and costs control of healthcare system.

  Future prospects

  The PRC government has been implementing various healthcare policy reform initiatives including privatization of hospital services. Concurrently, development in technologies and data applications have allowed solution providers to help improve the China healthcare system. The Group will continue to expand geographical coverage of the platform and to further connect additional participants such as health insurance providers, pharmaceutical manufacturers and distributors. The Group will actively promote the wider application of new healthcare technologies, mobile Internet technologies and big data analytics in this network, so as to construct a healthcare service network which provides the best experience for the public.

- ### Online and Offline ("O2O") Pharmacy Platform

  The Group launched the Alibaba Health (Alijk) mobile application this year to connect consumers with offline retail pharmacies by allowing both parties to exchange relevant information online. Through the mobile application, consumers can send out information on the drugs they require to retail pharmacies who can then bid for their orders. During the year, the Group signed cooperation contracts with a network of over 300 retail pharmacy operators which collectively operate over 20,000 physical retail outlets in the PRC.

  Future prospects

  China's healthcare market is characterized by a highly fragmented and long supply chain of healthcare products; as well as the lack of strong retail pharmacy presence in certain parts of the PRC. The Group believes that this provides great opportunities for technology and solution developers to help accelerate changes in how healthcare products and services are delivered in China.

- ### Proposed Acquisition

  The Group believes that the completion of the Proposed Acquisition (as defined in the Company's announcement dated April 15, 2015), which is subject to a number of conditions including the Listing Committee's approval, will help the Group to create a comprehensive healthcare platform by combining its existing businesses with an undisputed market leader in healthcare product e-commerce.

  The Group plans to pursue the following business strategies after the Proposed Acquisition. The Group will:

  – integrate online and offline transaction platforms to increase the numbers and types of pharmaceutical and other healthcare products covered;

  – continue to expand its platform to serve more consumers and other participants in China's healthcare industry;

  – continue to invest in its software platforms and develop more technology-based solutions and functions to help participants conduct transactions through its platform; and

  – implement cloud computing and big data strategies through the application of data analytics and in-depth learning technologies to support the continued growth of its business.

The Group expects that the combined platform will increase synergies and the Group's competitive advantages to expand further into e-commerce in the pharmaceutical and healthcare categories and to expand its offerings to healthcare industry participants across China.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at March 31, 2015 was 285 (90 as at March 31, 2014). Total staff costs of the Group for the year ended March 31, 2015 was HK$94.4 million. All the Group's staff employed in Hong Kong participated in the Mandatory Provident Fund Scheme.

The Group's policy is to maintain a competitive pay structure and employees are rewarded based on their performance.

The Group's share option scheme adopted at the annual general meeting of the Company held on August 29, 2013 (the "2013 Share Option Scheme") was terminated and replaced by a share award scheme pursuant to a special general meeting on November 24, 2014 (the "Adoption Date") (the "Share Award Scheme"). No share options were granted under the 2013 Share Option Scheme during the year ended March 31, 2015.

Under the Share Award Scheme, the Group may grant awards ("Awards") in the form of restricted share units ("RSUs") or share options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons as determined by the Board who the Board considers, in its absolute discretion, have contributed or will contribute to the success of the Group's operations. For the financial year ended March 31, 2015, no Award was granted by the Group under the Share Award Scheme since the Adoption Date.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended March 31, 2015.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the annual general meeting of the Company held on August 15, 2014 and subsequently approved by the Registrar of Companies in Bermuda, the name of the Company was changed from "CITIC 21CN Company Limited" to "Alibaba Health Information Technology Limited".

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is a technology enabled solution provider. The principal activities of the subsidiaries comprise the operation of product identification, authentication and tracking systems ("PIATS") principally for the drug industry in the PRC and the provision of solutions for the internet healthcare sector.

An analysis of the Group's performance for the year by operating segments is set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended March 31, 2015 and the financial position of the Company and the Group at that date are set out in the financial statements on pages 34 to 40.

The Board of Directors (the "Board") of the Company does not recommend the payment of any dividend (2014: Nil) for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 102. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 24 and 25 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVE

The Company did not have any reserves available for distribution at the end of the reporting period.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 98% of the total purchases for the year and purchases from the largest supplier amounted to 45% of the total purchases for the year.

Details of the directors and the Company's controlling shareholder's beneficial interest in the Group's second largest supplier, 阿里雲計算有限公司 (Alibaba Cloud Computing Ltd^) ("Alibaba Cloud"), a subsidiary of Alibaba Group, is further explained in the section below titled "Connected transactions".

^ *for identification purpose only*

DIRECTORS

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

Executive Directors:

Dr. Wang Jian (Chairman and Chief Executive Officer)	(appointed on April 30, 2014 and resigned on April 17, 2015)
Ms. Chen Xiao Ying (Executive Vice Chairman)	
Mr. Wang Lei (Chief Executive Officer)	(appointed on April 17, 2015)
Mr. Wang Jun (Chairman)	(resigned on April 30, 2014)
Mr. Luo Ning (Vice Chairman)	(resigned on April 30, 2014)
Mr. Sun Yalei	(resigned on April 30, 2014)
Mr. Zhang Lianyang	(resigned on April 30, 2014)
Ms. Xia Guilan	(resigned on April 30, 2014)

Non-Executive Directors:

Mr. Wu Yongming (Chairman)	(appointed on April 17, 2015)
Mr. Zhang Yong	(appointed on April 30, 2014)
Mr. Chen Jun	(appointed on April 30, 2014)
Mr. Chia Pun Kok	(appointed on April 30, 2014 and resigned on April 17, 2015)
Mr. Yu Feng	(appointed on April 30, 2014)
Mr. Yan Xuan*	(appointed on May 9, 2014)
Mr. Luo Tong*	(appointed on May 9, 2014)
Mr. Wong King On, Samuel*	(appointed on May 9, 2014)
Dr. Hui Ho Ming, Herbert, JP*	(resigned on May 9, 2014)
Mr. Zhang Jian Ming*	(resigned on May 9, 2014)
Dr. Long Junsheng*	(resigned on May 9, 2014)

* *Independent non-executive directors*

DIRECTORS' REPORT

DIRECTORS (continued)

Subsequent to the end of the reporting period, on April 17, 2015, Dr. Wang Jian resigned as an executive director, the chairman of the Board, the chairman of the Nomination Committee and the chief executive officer of the Company; Mr. Chia Pun Kok resigned as a non-executive director of the Company; Mr. Wu Yongming was appointed as the chairman of the Board, the chairman of the Nomination Committee and a non-executive director of the Company; and Mr. Wang Lei was appointed as an executive director and the chief executive officer of the Company.

Save as disclosed above, during the year ended March 31, 2015, there were no changes to the information which is required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In accordance with Clauses 99 and 102 of the Bye-laws of the Company, Ms. Chen Xiao Ying, Mr. Zhang Yong, Mr. Yan Xuan, Mr. Wang Lei and Mr. Wu Yongming will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors and independent non-executive directors are appointed for a term of one year and their appointment shall be renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then current term of their appointment unless terminated by the Company in accordance with the terms of their appointment letters and the provisions of the Bye-Laws, respectively.

The Company has complied with the requirements of the Listing Rules to have three independent non-executive directors during the year and up to the date of this report. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 20 to 22 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The emoluments of the Directors of the Company are decided having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share award scheme as an incentive to Directors and eligible employees. The details of the scheme are set out in note 25 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Ms. Chen Xiao Ying was a party to the subscription agreement entered into by the Company with Perfect Advance Holding Limited ("Perfect Advance") dated January 23, 2014 in relation to the subscription of the 4,423,175,008 shares in aggregate by Perfect Advance (the "Subscription"). The Subscription was, among other things, approved by independent shareholders of the Company at the Company's special general meeting on April 7, 2014, at which Ms. Chen Xiao Ying and her associates abstained from voting. The Subscription was completed on April 30, 2014.

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At March 31, 2015, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares and underlying shares of the Company

		Number of ordinary shares and underlying shares held, capacity and nature of interest		
Name of director	***Notes***	**Through controlled corporation**	**Total interest in Shares**	**Percentage of the Company's share capital**
Ms. Chen Xiao Ying	*(a)*	777,484,030	777,484,030	9.51%
Mr. Yu Feng	*(b)*	5,198,112,038	5,198,112,038	63.60%

Notes:

(a) Pollon Internet Corporation, a company wholly-owned by Ms. Chen Xiao Ying, owns 100% interest in 21CN Corporation. Uni-Tech International Group Limited, a wholly owned subsidiary of 21CN Corporation, holds 777,484,030 shares in the Company. Accordingly, Ms. Chen is interested in the Shares held by Uni-Tech International Group Limited.

(b) Mr. Yu Feng is deemed to have an interest in the Shares held by Perfect Advance pursuant to Part XV of the SFO for the following reasons: (i) Perfect Advance holds 4,420,628,008 Shares. In addition, as a security for her obligations under the subscription agreement entered into by the Company with Perfect Advance dated January 23, 2014 in relation to the subscription of 4,423,175,008 Shares in aggregate by Perfect Advance, Ms. Chen Xiao Ying provided to Perfect Advance a share charge over all the Shares indirectly held by her for a period of 18 months from April 30, 2014. Perfect Advance is therefore deemed to have an interest in an aggregate of 5,198,112,038 Shares; (ii) Perfect Advance is owned by Alibaba Investment Limited ("AIL") as to 70.21% and Innovare Tech Limited ("Innovare") as to 29.79%. Perfect Advance is a party to the shareholders agreement dated April 30, 2014 entered into with AIL and Innovare, which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO. (Please refer to the circular of the Company dated March 21, 2014 for the details of the said shareholders agreement.) AIL is wholly owned by Alibaba Holding. Innovare is deemed to have an interest in an aggregate of 5,198,112,038 Shares in which Perfect Advance is deemed to be interested in; (iii) Innovare is wholly controlled by Yunfeng Fund II, L.P., which is a direct wholly-owned subsidiary of Yunfeng Investment II, L.P. and an indirect wholly-owned subsidiary of Yunfeng Investment GP II, Ltd. Yunfeng Investment GP II, Ltd. is owned by Mr. Yu as to 60%. Accordingly, Mr. Yu is deemed to have an interest in an aggregate of 5,198,112,038 Shares via Perfect Advance within the meaning of Part XV of the SFO.

Save as disclosed above, as at March 31, 2015, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' REPORT

SHARE OPTION SCHEME

At the annual general meeting of the Company held on August 29, 2013, the shareholders of the Company approved the adoption of a share option scheme (the "2013 Share Option Scheme"), which was terminated and replaced by a share award scheme on November 24, 2014. Prior to that, at the annual general meeting of the Company held on August 30, 2002, the shareholders of the Company had approved the adoption of a share option scheme (the "2002 Share Option Scheme"), which expired on August 29, 2012. Following the expiry of the 2002 Share Option Scheme and the termination of the 2013 Share Option Scheme, no further options shall be offered under the 2002 Share Option Scheme and the 2013 Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects their respective provisions shall remain in full force and effect. No share options were granted under the 2013 Share Option Scheme during the year ended March 31, 2015.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options					
Name or category of participant	At 1 April 2014	Exercised during the year	At 31 March 2015	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share
Employee	100,000	(100,000)	–	23-3-05	23-3-06 to 23-3-15	3.175
	100,000	(100,000)	–	23-3-05	23-3-07 to 23-3-15	3.175
	100,000	(100,000)	–	23-3-05	23-3-08 to 23-3-15	3.175
	100,000	(100,000)	–	23-3-05	23-3-09 to 23-3-15	3.175
	100,000	(100,000)	–	23-3-05	23-3-10 to 23-3-15	3.175
	500,000	(500,000)	–			

The share options granted are recognized in the consolidated financial statements in accordance with the accounting policies of the Group as set out in note 25 to the consolidated financial statements.

SHARE AWARD SCHEME

On November 24, 2014 (the "Adoption Date"), the Group adopted a share award scheme (the "Share Award Scheme") to replace the 2013 Share Option Scheme. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time) select an employee or any other person for participation in the Share Award Scheme and determine the number of shares to be awarded. The total number of shares in respect of which awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the "Scheme Mandate Limit"), or 3% of the shares in issue as at the new approval date of the renewed Scheme Mandate Limit. More details regarding the Share Award Scheme are set out in note 25 to the consolidated financial statements.

DIRECTORS' REPORT

CONTRACT OF SIGNIFICANCE

The Company has a contract with Alibaba Cloud, a subsidiary of Alibaba Group, for the provision of cloud computing services to the Group. Further details of the transactions undertaken in connection with this contract during the year are included in note 29(III)(a) to the consolidated financial statements.

The contract terms have been reviewed by the independent non-executive directors, who confirmed that the transactions were: (i) conducted in the ordinary course of business of the Group; (ii) entered into in accordance with the terms of the agreement governing such transactions; and (iii) fair and reasonable as far as the shareholders of the Company are concerned. Details are included under below section titled "Connected transactions".

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the sections titled "Share option scheme" and "Share award scheme", at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company nor their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At March 31, 2015, the following interests and short positions of 5% or more of the share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Total interest in shares/ underlying shares	Percentage of the company's share capital
Perfect Advance Holding Limited	*(a)*	Beneficial owner	4,420,628,008	5,198,112,038	63.60%
Alibaba Group Holding Limited	*(a)*	Interest of controlled corporation	4,420,628,008	5,198,112,038	63.60%
Alibaba Investment Limited	*(a)*	Interest of controlled corporation	4,420,628,008	5,198,112,038	63.60%
Innovare Tech Limited	*(a)*	Persons acting in concert	4,420,628,008	5,198,112,038	63.60%
Yunfeng Fund II, L.P.	*(a)*	Persons acting in concert	4,420,628,008	5,198,112,038	63.60%
Yunfeng Investment GP II, Ltd.	*(a)*	Interest of controlled corporation	4,420,628,008	5,198,112,038	63.60%
Yunfeng Investment II, L.P.	*(a)*	Interest of controlled corporation	4,420,628,008	5,198,112,038	63.60%
Uni-Tech International Group Limited	*(b)*	Beneficial owner	777,484,030	777,484,030	9.51%
21CN Corporation	*(b)*	Interest of controlled corporation	777,484,030	777,484,030	9.51%
Pollon Internet Corporation	*(b)*	Interest of controlled corporation	777,484,030	777,484,030	9.51%

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions: (continued)

Notes :

(a) Perfect Advance Holding Limited ("Perfect Advance") holds 4,420,628,008 shares (representing 54.09% of the issued share capital of the Company). In addition, as a security for her obligations under the Subscription agreement, Ms. Chen Xiao Ying provided to Perfect Advance a share charge over 777,484,030 shares (representing 9.51% of the issued share capital of the Company) indirectly held by her for a period of 18 months from April 30, 2014. Perfect Advance is therefore deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company), and each of Perfect Advance and Innovare is also deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company).

Perfect Advance is owned by Alibaba Investment Limited ("AIL") as to 70.21% and Innovare Tech Limited ("Innovare") as to 29.79%. Perfect Advance is a party to the shareholders agreement dated April 30, 2014 entered into with AIL and Innovare which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO. (Please refer to the circular of the Company dated March 21, 2014 for the details of the said shareholders agreement.)

AIL is wholly owned by Alibaba Group Holding Limited. Innovare is wholly controlled by Yunfeng Fund II, L.P., which is a direct wholly-owned subsidiary of Yunfeng Investment II, L.P. and an indirect wholly-owned subsidiary of Yunfeng Investment GP II, Ltd.. Yunfeng Investment GP II, Ltd. is owned by Mr. Ma Yun as to 40% and Mr. Yu Feng, the non-executive Director of the Company, as to 60%. Accordingly, each of Yunfeng Fund II, L.P., Yunfeng Investment II, L.P., Yunfeng Investment GP II, Ltd., Mr. Ma Yun and Mr. Yu Feng is also deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company) via Perfect Advance within the meaning of Part XV of the SFO.

(b) Uni-Tech International Group Limited is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 100% by Pollon Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying, the executive Vice Chairman of the Company.

Save as disclosed above, as at March 31, 2015, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended March 31, 2015, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

A. Loans to a 50%-owned subsidiary CCIT

On December 20, 2013, CITIC 21CN Technology and CITIC 21CN Telecom Company Limited ("CITIC 21CN Telecom"), both of which are indirectly wholly-owned subsidiaries of the Company, as the lenders, and CCIT, as the borrower, entered into the CITIC 21CN Technology Loan Agreement and the CITIC 21CN Telecom Loan Renewal Agreement (both as defined in the Company's circular dated January 13, 2014) (the "Circular") in relation to the extension of the maturity dates of the Existing CITIC 21CN Technology Loans in the aggregate sum of RMB50,000,000, the grant of the New CITIC 21CN Technology Loan in the sum of RMB35,000,000 and the extension of the maturity date of the CITIC 21CN Telecom Loan in the sum of US$6,900,000 to CCIT. All these loans (as defined in the Circular) were non-interest bearing and unsecured, and they were newly granted or further extended to November 30, 2016.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS (continued)

A. Loans to a 50%-owned subsidiary CCIT (continued)

CCIT is held as to 50% by the Company, 30% by CITIC Group Corporation and 20% by 中國華信郵電經濟開發中心 (China Huaxin Telecom Economic Development Centre*). Before April 30, 2014, CITIC Group Corporation was a substantial shareholder and a connected person of the Company. CCIT was thus a non wholly-owned subsidiary and a connected person of the Company under the Listing Rules. The Company obtained the approval of the independent shareholders in respect of the grant of the Existing CITIC 21CN Technology Loans, the New CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan during special general meeting of the Company held on January 29, 2014.

As from April 30, 2014, upon the completion of the Subscription by Perfect Advance, CITIC Group Corporation was no longer a substantial shareholder of the Company. Accordingly, CCIT was no longer a connected person of the Company as defined in the Listing Rules as from April 30, 2014.

Up to April 30, 2014, the aggregate loan amount, including the Existing CITIC 21CN Technology Loans, the New CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan, was approximately RMB115,056,000. The details of these loans were announced on December 20, 2013 in compliance with Chapter 14A of the Listing Rules.

B. Continuing Connected Transactions – Cloud Computing Services Agreement

On September 30, 2014, CITIC 21CN Technology entered into the Cloud Computing Services Agreement with 阿里雲計算有限公司 (Alibaba Cloud Computing Ltd*) ("Alibaba Cloud"), pursuant to which Alibaba Cloud agreed to provide certain cloud computing services to the Group, for a term of six months commencing from October 1, 2014. The total fees payable for the year ending March 31, 2015 was expected not to exceed HK$7,000,000. Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority shareholder of Perfect Advance and Alibaba Cloud is a member of the Alibaba Group. Accordingly, Alibaba Cloud is also a connected person of the Company and the transactions contemplated under the Cloud Computing Services Agreement constituted continuing connected transactions for the Company in accordance with the Listing Rules. The aggregate value of services fees paid to Alibaba Cloud under the Cloud Computing Services Agreement was approximately HK$2,751,000 for the six months ended March 31, 2015. The details of the Cloud Computing Services were announced on September 30, 2014 in compliance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions under the-Cloud Computing Services Agreement and have confirmed that such continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 A*ssurance 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. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

* *for identification purpose only*

DIRECTORS' REPORT

ARBITRATION AND LITIGATION

Details of arbitration and litigation are set out in note 30 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 34 to the consolidated financial statements.

AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Messrs. Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wang Lei
Chief Executive Officer and Executive Director

Hong Kong
June 30, 2015

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS AND CHIEF EXECUTIVE OFFICER

Ms. CHEN Xiao Ying, aged 52, was appointed as an executive Director of the Company on May 17, 2000 and is the executive vice-chairman of the Company. Ms. Chen has been Chairman of the Pollon Group, a private investment group, which invests in power plants, telecommunications and property development in the PRC, since its inception in 1989 and was previously the chief executive officer of the Company till May 2014. Ms. Chen is a member of the Chinese National People's Political Consultative Committee and has been a Permanent Honorary President of Friends of Hong Kong Association Limited since 1989. Ms. Chen obtained a master's degree in business administration from Peking University in July 2010.

Mr. WANG Lei, aged 35, was appointed as an executive Director and a chief executive officer of the Company on April 17, 2015. Prior to his current position, Mr. Wang was the general manager of Alibaba Group's Taobao Diandian business from September 2013. Mr. Wang has held various positions within Alibaba Group since he joined in 2003, including customer relationship management product manager and Alibaba call center project manager from September 2003 to December 2005, P4P project manager of Yahoo China from January 2006 to May 2007, senior manager of Alimama product and operations department from June 2007 to December 2008, B2B advertising product and operations department director from January 2009 to May 2011, senior director of B2B advertising service department and commercial product department from June 2011 to July 2012 and O2O workshop senior director of Alibaba Group's mobile Internet business department from August 2012 to August 2013. Mr. Wang obtained a bachelor's degree in engineering from China Jiliang University, PRC in June 2001.

NON-EXECUTIVE DIRECTORS

Mr. WU Yongming, aged 40, was appointed as a non-executive Director and Chairman of the Company on April 17, 2015. Mr. Wu has been a senior vice president of the Alibaba Group since June 2010 and has been a special assistant to the chairman of the board of directors of Alibaba Holding since September 2014. Mr. Wu also served as technology director of Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) from September 1999, technology director of Alipay (China) Information Technology Co., Ltd. (支付寶(中國)網絡技術有限公司) from December 2004, P4P business director of Alibaba Group from November 2005, general manager of Hangzhou Alimama Technology Co., Ltd.* (杭州阿里媽媽網絡技術有限公司) from December 2007, chief technology officer of Taobao (China) Software Co., Ltd.* (淘寶(中國)軟件公司) from September 2008, and was responsible for Alibaba Group's search business, advertising business and mobile business from October 2011. Mr. Wu was previously a director of AutoNavi Holdings Limited, a then NASDAQ-listed company, from May 2013 to July 2014. Mr. Wu obtained a bachelor's degree in computer science from Zhejiang University of Technology, PRC in June 1996.

Mr. ZHANG Yong, aged 43, was appointed as a non-executive Director of the Company on April 30, 2014. Mr. Zhang has been the chief executive officer of Alibaba Group since May 2015 and also serves on the board of directors of Alibaba Holding (stock code: BABA). Prior to his current position, Mr. Zhang has held several other senior positions within Alibaba Group, including chief financial officer of Taobao marketplace after joining in August 2007. He was appointed as chief operating officer of Taobao marketplace and general manager of Tmall.com (then Taobao Mall) in April 2008, and then as president of Tmall.com in June 2011 before his appointment as chief operating officer of Alibaba Group in September 2013. Before joining Alibaba Group, Mr. Zhang served as chief financial officer of Shanda Interactive Entertainment Limited, an online game developer and operator listed on NASDAQ. Mr. Zhang is currently a non-executive director of Haier Electronics Group Co., Ltd. (stock code: 01169) and the chairman and a non-executive director of Intime Retail (Group) Company Limited (stock code: 1833), both of which are listed on the Hong Kong Stock Exchange. Mr. Zhang is currently also a director of Weibo Corporation (stock code: WB), which is listed on NASDAQ. Mr. Zhang obtained a bachelor's degree in finance from Shanghai University of Finance and Economics, PRC in July 1995.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEN Jun, aged 41, is currently a vice president of Alibaba Group. Mr. Chen has been involved in many direct investments by Alibaba Group in e-retail, logistics, travel, and software & solution companies. Mr. Chen has more than 18 years of experience in strategy management, strategic market development, and business and financial advisory services. Prior to joining Alibaba Group, Mr. Chen worked for SAP, a Fortune 500 high-tech software company. Mr. Chen received an EMBA degree from INSEAD in France in 2005. Mr. Chen has served as a non-executive director of the Company since April 30, 2014.

Mr. YU Feng, aged 51, was appointed as a non-executive Director of the Company on April 30, 2014. Mr. Yu is the founder and chairman of Yunfeng Capital, a private equity firm which was founded by Mr. Yu together with other entrepreneurs in 2010. Mr. Yu is an executive director of Media Asia Group Holdings Limited (stock code: 08075), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Yu was also director of Huayi Brothers Media Corporation, a company listed on the China Growth Enterprise Market, from August 2014 to June 2015 and a director of Shanghai Guangdian Electric Group Co., Ltd, a company listed on the Shanghai Stock Exchange, from December 2010 to April 2014. Mr. Yu served as co-chairman of Focus Media Holding Limited from February 2006 to May 2008 and served as chairman and chief executive officer of Target Media Holdings Limited. Mr. Yu obtained an EMBA degree from China Europe International Business School, PRC in March 2001 and a master of arts degree in philosophy from Fudan University, PRC in July 1991.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG King On, Samuel, aged 62, was appointed as an independent non-executive Director of the Company on May 9, 2014. Mr. Wong is currently a professor of practice (accounting) of the school of accounting and finance of the Hong Kong Polytechnic University and the honorary secretary of the Outstanding Polytechnic University Alumni Association. Mr. Wong was an independent non-executive director and chairman of the audit committee of Yashili International Holdings Limited (Stock Code: 1230), which was listed on the Hong Kong Stock Exchange from October 2010 to November 2013. Mr. Wong has over 30 years of experience in accounting and finance. Mr. Wong joined Ernst & Young in October 1979 and was elected to its partnership in January 1993. Mr. Wong was the managing partner, China Central of Ernst & Young and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement. Mr. Wong was also the adjunct professor of the school of accounting & finance of the Hong Kong Polytechnic University from 2002 to 2010. Mr. Wong was the president of Association of Chartered Certified Accountants (ACCA) Hong Kong for 1998–1999 and a member of the global council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA for 2003–2004. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, a member of the ACCA and a Certified Practising Accountant Australia. Mr. Wong obtained a master of business administration degree from the University of Bradford, United Kingdom in December 1978. Mr. Wong was awarded the Binder Hamlyn Prize for the best student in financial management in 1978.

Mr. YAN Xuan, aged 53, was appointed as an independent non-executive Director of the Company on May 9, 2014. Appointed in June 2011, Mr. Yan is President, Greater China for Nielsen Holdings N.V. and leads Nielsen Holdings N.V.'s business initiatives in mainland China, Hong Kong, Taiwan and Macau. Before joining Nielsen Holdings N.V., Mr. Yan spent close to two decades in China in senior and executive positions with leading global companies, such as AT&T, Microsoft Corporation, Oracle Corporation and Qualcomm Incorporated. Mr. Yan was previously a vice chairman of the board of governors of American Chamber of Commerce in China from January to December 2008 as well as a member of the board of directors of the United States Information Technology Office. Mr. Yan also served as a director or vice-chairman on the boards of directors of several US-China telecom equipment and software joint ventures. Mr. Yan received his juris doctor from Duke University School of Law, U.S. as a Richard M. Nixon Scholar in 1987, and attended the Advanced Management Program at Harvard Business School, U.S. in 2000.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LUO Tong, aged 48, was appointed as an independent non-executive Director of the Company on May 9, 2014. Mr. Luo is currently the chief strategy officer of Yiguo Information Technology Co., Ltd. Mr. Luo has over 20 years of experience of retailing operation and management. More recently, he worked as the general manager of retail development of Guangzhou Pharmaceuticals Corporation till June 2015, the vice president of operations for Tesiro Jewellery Company from June 2012 to December 2013 and as the vice president of operations and development for China Nepstar Chain Drugstore Ltd. from June 2010 to April 2012. Prior to that, he worked at Walmart from September 2004 to April 2010, where his last position was regional general manager for Walmart's Zhejiang Province Operations. Mr. Luo obtained a diploma in business administration from Guangzhou Finance and Trade Management Institute in July 1989 and a diploma in English from Guangdong Social Science College in June 1991.

COMPANY SECRETARY

Mr. AU Kin Fai, aged 49, is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor Degree in Commerce. Mr. Au worked for an international CPA firm and a public company listed on the Hong Kong Stock Exchange prior to his first joining of the Group in January 2007. Mr. Au was appointed as Company Secretary in September 2010.

CORPORATE GOVERNANCE REPORT

The Company strives to continuously attain and maintain high standards of corporate governance as it believes that effective corporate governance practices are fundamental to safeguarding the interests of its shareholders and other stakeholders, and to enhancing shareholder value.

In the opinion of the Board of the Company, throughout the year ended March 31, 2015, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices (the "CG Code") under Appendix 14 to the Listing Rules, except in respect of the following matters:

1. The ex-chairman of the Board of the Company, Mr. Wang Jun, was not subject to retirement by rotation pursuant to Clause 99 of the Company's Bye-Laws. The Board considered this deviation acceptable as the ex-chairman was responsible for formulation and implementation of the Company's strategies, which was essential to the stability of the Company's business. From May 9, 2014 to April 17, 2015, Dr. Wong Jian served as the chairman of the Board, and was subject to retirement by rotation and re-election in compliance with the Code Provisions.

2. Before May 9, 2014, the Company had not established a nomination committee or adopted any formal board diversity policy. According to the Bye-Laws of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new directors, the Board considered each nominee's qualifications, abilities and potential contribution to the Group. As such, the Board considered that such arrangement provided the Group with sufficient flexibility to identify individuals suitably qualified to become board members for the Group's innovative and developing business and that these deviations from the Code Provisions were therefore acceptable.

   Nonetheless, on May 9, 2014 and June 19, 2014, a nomination committee was formed and a board diversity policy was adopted, respectively, in compliance with the Code Provisions.

3. Before June 18, 2014, the Company did not arrange insurance cover in respect of legal action against its directors, as disclosed in the Company's annual report dated June 19, 2014. However, the Board has arranged insurance cover in respect of legal action against the Directors, with effect from June 18, 2014.

4. Code Provision A.2.1 states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From May 9, 2014 to April 17, 2015, Dr. Wang Jian served as the chairman of the Board and the CEO of the Company. The Board believes that it was necessary to vest the roles of chairman of the Board and CEO of the Company in the same person given Dr. Wang Jian's experience and established market reputation in the industry, and his importance in the strategic development of the Company. The dual role arrangement helped to provide strong and consistent leadership and was critical for efficient business planning and decision making of the Company. As all major decisions of the Company were made in consultation with other members of the Board and the relevant Board committees, and there are three INEDs on the Board offering independent perspectives, the Board is of the view that there were adequate safeguards in place to ensure sufficient balance of powers with the Board and this deviation from the Code Provisions was therefore acceptable. With effect from April 17, 2015, Mr. Wu Yongming was appointed as the new chairman of the Board and Mr. Wang Lei was appointed as the new CEO of the Company, such that there is now a segregation of duties between the chairman and the CEO.

THE BOARD

Composition

As at the date of this report, the Board comprises nine directors, including (i) two executive Directors, namely Ms. Chen Xiao Ying and Mr. Wang Lei; (ii) four non-executive Directors, namely Mr. Wu Yongming, Mr. Zhang Yong, Mr. Chen Jun and Mr. Yu Feng; and (iii) three independent non-executive Directors ("INED(s)"), namely Mr. Yan Xuan, Mr. Luo Tong and Mr. Wong King On, Samuel. The names and biographical details of each director are disclosed on pages 20 to 22 of this Annual Report.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Changes to Information in Respect of Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors information are set out below:

With effect from April 30, 2014:

– each of Mr. Wang Jun, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan resigned as an executive Director of the Company;

– Dr. Wang Jian was appointed as an executive Director of the Company; and each of Mr. Zhang Yong, Mr. Chen Jun, Mr. Chia Pun Kok and Mr. Yu Feng was appointed as a non-executive Director of the Company.

With effect from May 9, 2014:

– each of Dr. Long Junsheng, Dr. Hui Ho Ming, Herbert, JP, and Mr. Zhang Jian Ming resigned as an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company;

– Dr. Wang Jian was appointed as the chairman of the Board, the chairman of the Nomination Committee and the chief executive officer of the Company;

– Mr. Yan Xuan was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee;

– Mr. Luo Tong was appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee;

– Mr. Wong King On, Samuel was appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee;

– Mr. Zhang Yong was appointed as a member of the Audit Committee and a member of the Remuneration Committee.

With effect from April 17, 2015:

– Dr. Wang Jian resigned as an executive Director, the chairman of the Board, the chairman of the Nomination Committee and the chief executive officer of the Company;

– Mr. Chia Pun Kok resigned as a non-executive Director of the Company;

– Mr. Wu Yongming was appointed as the chairman of the Board, the chairman of the Nomination Committee and a non-executive Director of the Company;

– Mr. Wang Lei was appointed as an executive Director and the chief executive officer of the Company.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Changes to Information in Respect of Directors (continued)

Save as disclosed above, during the year ended March 31, 2015, there were no changes to information which are required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

During the year and up to the date of this report, all Directors (including the Directors and the INEDs who resigned on April 30, 2014, May 9, 2014 and April 17, 2015), have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for the efficient and effective delivery of the Board's functions. The INEDs are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Each INED (including each of the INEDs who resigned and the INEDs who were appointed on May 9, 2014), pursuant to the guidelines set out in rule 3.13 of the Listing Rules, has confirmed he has been independent of the Company throughout the year ended March 31, 2015 and up to the date of this report, and the Company also considers that they have been independent. Each INED is subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-Laws of the Company. There is no relationship (including financial, business, family or other material or relevant relationship) between each INED and the other members of the Board and between the Chairman and the Chief Executive Officer.

Function

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting any major acquisition and disposal, major capital investment and dividend policies, regulating and reviewing internal controls, formulating the Company's corporate governance policy, supervising management's performance and reviewing the adequacy of the Group's resources.

The INEDs play a significant role on the Board by virtue of their independent judgment and their views carry significant weight in the Board's decisions. They bring an impartial view on issues of the Company's strategies, performance and controls.

The Company views that well-developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

Chairman and Chief Executive Officer ("CEO")

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and CEO should be separate and should not be performed by the same individual. From May 9, 2014 to April 17, 2015, there was no separation of the roles of chairman and CEO when Dr. Wang Jian served as the chairman of the Board and the CEO of the Company. The Board believed that it was necessary to vest the roles of chairman of the Board and CEO of the Company in the same person given Dr. Wang Jian's experience and established market reputation in the industry, and there was no imminent need to separate the roles into two individuals. Following the appointment of Mr. Wu Yongming as the new chairman of the Board and Mr. Wang Lei as the new CEO of the Company with effect from April 17, 2015, such that the Company has fully complied with the code provision A.2.1 of the CG Code.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Meetings

The Board held 8 Board meetings during the year ended March 31, 2015. Agendas and accompanying board papers were sent to all Directors in a timely manner. Directors who could not attend in person could participate through other electronic means of communications. Individual attendance of each Director at the Board meetings, Board Committee meetings and Shareholder meeting(s) during the year ended March 31, 2015 are set out in the table below:

	Attended/Eligible to attend					
Directors	Annual General Meeting	Special General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors						
Dr. Wang Jian *(Chairman)* (i)	1/1	0/1	3/7	N/A	N/A	1/1
Ms. Chen Xiao Ying *(Executive Vice Chairman)*	0/1	1/2	6/8	N/A	N/A	N/A
Mr. Wang Jun *(Chairman)* (ii)	N/A	0/1	0/1	N/A	N/A	N/A
Mr. Luo Ning *(Vice Chairman)* (ii)	N/A	0/1	1/1	N/A	N/A	N/A
Mr. Sun Yalei (ii)	N/A	0/1	1/1	N/A	N/A	N/A
Mr. Zhang Lianyang (ii)	N/A	0/1	1/1	N/A	N/A	N/A
Ms. Xia Guilan (ii)	N/A	0/1	1/1	N/A	N/A	N/A
Non-Executive Directors						
Mr. Zhang Yong (iii)	0/1	0/1	6/7	1/2	0/1	N/A
Mr. Chen Jun (iii)	1/1	0/1	7/7	N/A	N/A	N/A
Mr. Chia Pun Kok (iv)	0/1	0/1	7/7	N/A	N/A	N/A
Mr. Yu Feng (iii)	0/1	0/1	5/7	N/A	N/A	N/A
Indpendent Non-Executive Directors						
Mr. Yan Xuan (v)	1/1	0/1	7/7	2/2	1/1	N/A
Mr. Luo Tong (v)	1/1	1/1	7/7	2/2	N/A	1/1
Mr. Wong King On, Samuel (v)	0/1	0/1	6/7	2/2	1/1	1/1
Dr. Hui Ho Ming, Herbert, JP (vi)	N/A	1/1	1/1	N/A	N/A	N/A
Mr. Zhang Jian Ming (vi)	N/A	0/1	1/1	N/A	N/A	N/A
Dr. Long Junsheng (vi)	N/A	1/1	1/1	N/A	N/A	N/A

Notes:

(i) Dr. Wang Jian was appointed as an executive Director on April 30, 2014 and resigned on April 17, 2015.

(ii) Mr. Wang Jun, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan resigned as executive Directors on April 30, 2014.

(iii) Mr. Zhang Yong, Mr. Chen Jun and Mr. Yu Feng were appointed as non-executive Directors on April 30, 2014.

(iv) Mr. Chia Pun Kok was appointed as an non-executive Director on April 30, 2014 and resigned on April 17, 2015.

(v) Mr. Yan Xuan, Mr. Luo Tong, Mr. Wong King On, Samuel were appointed as independent non-executive Directors on May 9, 2014.

(vi) Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming, Dr. Long Junsheng resigned as independent non-executive Directors on May 9, 2014.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Directors' Training

Each newly-appointed Director is offered training by the Company upon his or her appointment, so as to ensure that they have appropriate understanding of the Company's business and they are aware of their duties as directors under the applicable laws and regulations.

Pursuant to Code Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the financial year ended March 31, 2015, all of the following Directors participated in continuous professional development by attending introductory training or by self-studying of materials on the topics related to corporate governance and regulations:

Executive Directors	
Dr. Wang Jian (i)	Attending introductory training
Ms. Chen Xiao Ying	Self-study of relevant materials
Non-Executive Directors	
Mr. Zhang Yong	Attending introductory training
Mr. Chen Jun	Attending introductory training
Mr. Chia Pun Kok (ii)	Attending introductory training
Mr. Yu Feng	Self-study of relevant materials
Independent Non-Executive Directors	
Mr. Yan Xuan	Attending introductory training
Mr. Luo Tong	Attending introductory training
Mr. Wong King On, Samuel	Attending introductory training

Notes:

(i) Dr. Wang Jian was appointed as an executive Director on April 30, 2014 and resigned on April 17, 2015.

(ii) Mr. Chia Pun Kok was appointed as an non-executive Director on April 30, 2014 and resigned on April 17, 2015.

Board Committees

Throughout the year ended March 31, 2015, the Company maintained the Audit Committee and the Remuneration Committee in compliance with the Listing Rules. With effect from May 9, 2014, the Nomination Committee was also formed, such that the Company has fully complied with the relevant Code Provisions of the CG Code.

Remuneration Committee

With effect from May 9, 2014, the Board appointed Mr. Yan Xuan as the chairman of the Remuneration Committee and Mr. Zhang Yong and Mr. Wong King On, Samuel as members of the Remuneration Committee. The Remuneration Committee currently comprises these three directors, with specific terms of reference which clearly deals with its authority and duties.

On the same date of May 9, 2014, Dr. Long Junsheng, Dr. Hui Ho Ming, Herbert, JP, and Mr. Zhang Jian Ming resigned as independent non-executive Directors of the Company and members of Remuneration Committee of the Board.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Remuneration Committee (continued)

The main duties of the Remuneration Committee shall include:

(a) to make recommendations to the Board on the Company's policy for and structure of remuneration for all directors of the Company and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the remuneration of non-executive Directors; and

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee held one meeting for the year ended March 31, 2015. The Remuneration Committee discussed and reviewed the service agreement, appointment letter and remuneration policy for Directors and management of the Company, and made recommendations to the Board on the service agreement, appointment letter and remuneration packages of individual Directors and management.

Audit Committee

With effect from May 9, 2014, the Board appointed Mr. Wong King On, Samuel as chairman of the Audit Committee, and Mr. Zhang Yong, Mr. Yan Xuan and Mr. Luo Tong as members of the Audit Committee. The Audit Committee currently comprises these four directors, with specific terms of reference which clearly deals with its authority and duties.

On the same date of May 9, 2014, Dr. Long Junsheng, Dr. Hui Ho Ming, Herbert, JP, and Mr. Zhang Jian Ming resigned as independent non-executive Directors of the Company and members of Audit Committee of the Board.

The main duties of the Audit Committee include:

(a) to consider the appointment of the external auditor and any questions in relation to its resignation or dismissal;

(b) to discuss with the external auditor the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board;

(d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss;

(e) to review the external auditors' management letter and management's response;

(f) to review the Company's statement on internal control systems prior to endorsement by the Board;

(g) to review the internal audit function, and ensure coordination with external auditors, and ensure the internal audit function has adequate resources and appropriate standing within the company; and

(h) to consider the major findings of internal investigations and management's response.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Audit Committee (continued)

The Audit Committee held two meetings for the financial year ended March 31, 2015. The Audit Committee reviewed the financial reporting system, compliance procedures, internal control, risk management systems and processes and the reappointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed interim and final results of the Company and its subsidiaries for the interim period and the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit.

Nomination Committee

With effect from May 9, 2014, the Nomination Committee was newly formed under the Board and Dr. Wang Jian was appointed as the chairman of the Nomination Committee. Subsequent to the financial year ended March 31, 2015, Dr. Wang Jian resigned as chairman of the Nomination Committee and Mr. Wu Yongming was appointed as the new chairman of the Nomination Committee with effect from April 17, 2015.

The Nomination Committee currently comprises Mr. Wu Yongming, Mr. Luo Tong and Mr. Wong King On, Samuel, with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and to select or to make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive officer of the Company.

The Nomination Committee held one meeting for the year ended March 31, 2015. The Nomination Committee nominated the new Directors to the Board to fill the vacancies, assessed the independence of the independent non-executive Directors and considered the re-appointment of the retiring.

Board Diversity Policy

With effect from June 19, 2014, the Board adopted a board diversity policy (the "Policy") setting out the approach to achieve diversity on the Board. The Board considered that diversity of board members can be achieved through the consideration of a number of aspects, including but not limited to gender, age, cultural, and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The Nomination Committee reviews this Policy on a regular basis and discusses any revisions that might be required, and recommends to the Board for consideration and approval.

Model Code for Securities Transactions

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "Model Code") to regulate the Directors' dealings in the Group's securities. In response to specific enquires by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2015.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company. The Company Secretary supports the daily operation of the Board by ensuring good information flow and reports to the Board in an effective and efficient manner. The biographical detail of the Company Secretary is disclosed on page 22 of this Annual Report. The Company Secretary met the requirements on professional training under the Rule 3.29 of the Listing Rules during the financial year.

AUDITORS' REMUNERATION

The remuneration paid to Ernst & Young for audit and non-audit services for the year ended March 31, 2015 amounted to HK$850,000 and HK$250,000 respectively. The non-audit services provided by Ernst & Young to the Group were in relation to the agreed-upon procedures on the interim results and limited assurance services on continuing connected transactions.

INTERNAL CONTROLS

The Board and the management of the Group maintain a sound and effective system of internal controls of the Group so as to ensure the effectiveness and efficiency of operations of the Group in achieving its established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee of the Board, the Board reviews the effectiveness of these systems.

SHAREHOLDER COMMUNICATION POLICY

Purpose

1. This policy is aimed at ensuring that the Company's shareholders, both individual and institutional (collectively, "Shareholders"), and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), 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. The Board will review the effectiveness of this policy on a regular basis.

Communication Strategies

Corporate Website

2. The Company communicates to its Shareholders through announcements and interim and annual reports published on its website http://www.irasia.com/listco/hk/alihealth/. The information on the website is updated on a regular basis.

3. Information released by the Company to Hong Kong Exchanges and Clearing Limited (the "HKEx") is also posted on the HKEx website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

Shareholders' meetings

4. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

5. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

6. Board members, in particular, either the chairman or deputy chairman of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER COMMUNICATION POLICY (continued)

Shareholder Privacy

7. The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

Shareholders, holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings of the Company, shall at all times have the right by written requisition to the Board or the Company Secretary, to require a general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition.

The requisitionists must state the purpose of the meeting and their contact details in the requisition, and sign and deposit the requisition at the principal place of business of the Company for the attention of the Company Secretary.

The SGM shall be held within two months from the deposit of the requisition. It the Board fails to proceed to convene the SGM within 21 days of such deposit, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may convene the SGM by themselves in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended), but any SGM so convened shall not be held after the expiration of three months from the deposit of the requisition.

Procedures for putting forward proposals at general meetings

Shareholders holding not less than 5% of the total voting rights of all shareholders having a right to vote at the general meeting or not less than 100 shareholders can submit a written request stating a resolution to be moved at the AGM or a statement of not more than 1,000 words with respect to a matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The requisitionists must sign and deposit the written request or statement at the registered office of the Company and the principal place of business of the Company for the attention of the Company Secretary, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board to include the resolution in the agenda for the AGM, as the case may be, to circulate the statement for the general meeting, provided that the requisitionists have deposited a sum of money reasonably determined by the Board sufficient to meet the expenses in serving the notice of the resolution and/or circulating the statement submitted by the requisitionists in accordance with the statutory requirements to all the registered shareholders.

Procedures for sending enquires to the Board

Shareholders may send their enquiries with sufficient contact details to the Board at the principal place of the business of the Company for the attention of the company secretary. When the written enquiries are in order, the company secretary will direct them to the Board.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

At the special general meeting of the Company held on November 24, 2014, the shareholders of the Company approved the amendments to the Bye-Laws of the Company (the "Bye-Laws") by deleting in its entirety the old bye-law 140 of the Bye-Laws and replaced with a new bye-law 140, so as to facilitate the operation of the Share Award Scheme adopted on the same date. Please refer to the circular of the Company dated October 31, 2014 for the details of such amendments.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Company's financial statements of the Group (the "Financial Statements") which give a true and fair view and are in accordance with generally accepted accounting standards published by the Hong Kong Institute of Certified Public Accountants. The Directors endeavor to ensure a balanced, clear and understandable assessments of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable.

The statement of the Company's auditors about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on page 33.

INDEPENDENT AUDITORS' REPORT

EY 安永

To the members of Alibaba Health Information Technology Limited
(formerly known as CITIC 21CN Company Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Alibaba Health Information Technology Limited (formerly known as CITIC 21CN Company Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 101, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 March 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 June 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
REVENUE	5	**37,180**	27,487
Cost of revenue		**(17,225)**	(13,923)
Gross profit		**19,955**	13,564
Other income and gains	5	**109,047**	4,580
Sales and marketing expenses		**(67,517)**	(6,476)
Administrative expenses		**(73,688)**	(35,318)
Product development expenses		**(42,663)**	(16,877)
Other expenses		**(67,801)**	(882)
Share of profits and losses of:			
A joint venture		**7,110**	(1,816)
An associate		**11,585**	9,602
LOSS BEFORE TAX	6	**(103,972)**	(33,623)
Income tax expense	9	**(1,159)**	(960)
LOSS FOR THE YEAR		**(105,131)**	(34,583)
Attributable to:			
Owners of the Company	10	**(101,526)**	(39,200)
Non-controlling interests		**(3,605)**	4,617
		(105,131)	(34,583)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	11	**HK(1.30) cents**	HK(1.05) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2015

	2015 HK$'000	2014 HK$'000 (Restated)
LOSS FOR THE YEAR	**(105,131)**	(34,583)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	**(2,596)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(2,596)**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(107,727)**	(34,583)
Attributable to:		
Owners of the Company	**(104,122)**	(39,200)
Non-controlling interests	**(3,605)**	4,617
	(107,727)	(34,583)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property and equipment	12	5,225	10,094
Intangible assets	13	–	36,033
Investment in a joint venture	15	93,965	86,855
Investment in an associate	16	119,532	107,947
Total non-current assets		218,722	240,929
CURRENT ASSETS			
Trade receivables	17	1,337	23,725
Prepayments, deposits and other receivables	18	18,742	8,147
Cash and cash equivalents	19	1,522,099	221,339
Total current assets		1,542,178	253,211
CURRENT LIABILITIES			
Trade payables	20	4,566	2,742
Other payables and accruals	21	148,066	114,466
Tax payable		19	19
Total current liabilities		152,651	117,227
NET CURRENT ASSETS		1,389,527	135,984
TOTAL ASSETS LESS CURRENT LIABILITIES		1,608,249	376,913
NON-CURRENT LIABILITIES			
Deferred tax liability	22	6,467	5,308
Deferred revenue	23	18,165	19,571
Total non-current liabilities		24,632	24,879
Net assets		1,583,617	352,034
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	81,727	37,490
Reserves	26(a)	1,575,304	384,353
		1,657,031	421,843
Non-controlling interests		(73,414)	(69,809)
Total equity		1,583,617	352,034

WU Yongming
Director

WANG Lei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2015

		Attributable to owners of the Company										
	Notes	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 26)	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000 (note 26)	Exchange fluctuation reserve HK$'000	General reserve HK$'000 (note 26)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At April 1, 2013		37,179	769,675	78,108	20,831	19,215	74,860	13,433	(651,484)	361,817	(74,426)	287,391
Loss for the year and total comprehensive loss for the year (restated)		–	–	–	–	–	–	–	(39,200)	(39,200)	4,617	(34,583)
Exercise of share options	25	311	110,603	–	(12,562)	–	–	–	–	98,352	–	98,352
Transfer of employee share-based compensation reserve upon the forfeiture or expiry of share options		–	–	–	(8,037)	–	–	–	8,037	–	–	–
Deemed contribution from other shareholder of an associate	26	–	–	–	–	874	–	–	–	874	–	874
At March 31, 2014 (restated)		37,490	880,278*	78,108*	232*	20,089*	74,860*	13,433*	(682,647)*	421,843	(69,809)	352,034
At March 31, 2014												
As previously reported		37,490	880,278	78,108	232	20,089	74,860	13,433	(649,919)	454,571	(69,809)	384,762
Prior year adjustments *(note 2.3)*		–	–	–	–	–	–	–	(32,728)	(32,728)	–	(32,728)
As restated		37,490	880,278	78,108	232	20,089	74,860	13,433	(682,647)	421,843	(69,809)	352,034
Loss for the year		–	–	–	–	–	–	–	(101,526)	(101,526)	(3,605)	(105,131)
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	(2,596)	–	–	(2,596)	–	(2,596)
Total comprehensive loss for the year		–	–	–	–	–	(2,596)	–	(101,526)	(104,122)	(3,605)	(107,727)
Issue of shares	24	44,232	1,282,721	–	–	–	–	–	–	1,326,953	–	1,326,953
Share issue expenses	24	–	(2,671)	–	–	–	–	–	–	(2,671)	–	(2,671)
Exercise of share options	25	5	1,815	–	(232)	–	–	–	–	1,588	–	1,588
Contribution from shareholders of the Company	25	–	–	–	–	13,440	–	–	–	13,440	–	13,440
At March 31, 2015		81,727	2,162,143*	78,108*	–*	33,529*	72,264*	13,433*	(784,173)*	1,657,031	(73,414)	1,583,617

* These reserve accounts comprise the consolidated reserves of HK$1,575,304,000 (2014 (Restated): HK$384,353,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(103,972)**	(33,623)
Adjustments for:			
Share of profits and losses of a joint venture		**(7,110)**	1,816
Share of profits and losses of an associate		**(11,585)**	(9,602)
Interest income	5	**(20,073)**	(618)
Dividend income from available-for-sale listed securities	5	**–**	(1,085)
Settlement of litigation and reversal of related accruals	5	**(88,042)**	–
Loss on write-off of intangible assets	6	**33,615**	–
Loss on disposal of items of property and equipment	6	**1,699**	–
Depreciation	6	**7,374**	3,008
Amortisation of intangible assets	6	**2,418**	3,124
Impairment of trade receivables	6	**24,049**	–
Impairment of other receivables	6	**188**	352
Equity-settled share-based payment expense	6	**13,440**	–
		(147,999)	(36,628)
Increase in trade receivables		**(1,661)**	(21,493)
(Increase)/decrease in prepayments, deposits and other receivables		**(9,302)**	1,736
Decrease in investments held for trading		**–**	27,491
Increase/(decrease) in trade payables		**1,824**	(10,905)
Increase in other payables and accruals		**73,313**	20,142
(Decrease)/increase in deferred revenue		**(1,406)**	19,571
Exchange differences		**(2,596)**	–
Cash used in operations		**(87,827)**	(86)
Interest received		**18,592**	618
Dividends received from available-for-sale listed securities		**–**	1,085
Net cash flows (used in)/from operating activities		**(69,235)**	1,617

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended March 31, 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	12	**(4,352)**	(4,735)
Proceeds from disposal of items of property and equipment		**148**	–
Proceeds from disposal of a subsidiary	27	**–**	9,375
Net refund from the settlement of a litigation	30	**48,329**	–
Placement of time deposits with original maturity of over three months when acquired		**(154)**	(4,962)
Withdrawal of time deposits with original maturity of over three months when acquired		**–**	11,063
Net cash flows from investing activities		**43,971**	10,741
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	24	**1,328,541**	98,352
Share issue expenses	24	**(2,671)**	–
Net cash flows generated from financing activities		**1,325,870**	98,352
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,300,606**	110,710
Cash and cash equivalents at beginning of year		**216,377**	105,667
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,516,983**	216,377
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**159,312**	66,363
Time deposits	19	**1,362,787**	154,976
Cash and cash equivalents as stated in the consolidated statement of financial position	19	**1,522,099**	221,339
Time deposits with original maturity of over three months when acquired	19	**(5,116)**	(4,962)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,516,983**	216,377

STATEMENT OF FINANCIAL POSITION

March 31, 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property and equipment	12	**15**	22
Investments in subsidiaries	14	**148,189**	263,286
Total non-current assets		**148,204**	263,308
CURRENT ASSETS			
Prepayments and other receivables	18	**2,984**	1,956
Cash and cash equivalents	19	**1,400,147**	173,229
Total current assets		**1,403,131**	175,185
CURRENT LIABILITIES			
Other payables	21	**1,947**	3,771
Due to subsidiaries	14	**52,600**	52,356
Total current liabilities		**54,547**	56,127
NET CURRENT ASSETS		**1,348,584**	119,058
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,496,788**	382,366
Net assets		**1,496,788**	382,366
EQUITY			
Share capital	24	**81,727**	37,490
Reserves	26(b)	**1,415,061**	344,876
Total equity		**1,496,788**	382,366

WU Yongming
Director

WANG Lei
Director

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

1. CORPORATE INFORMATION

Alibaba Health Information Technology Limited (the "Company"), formerly known as CITIC 21CN Company Limited, is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at Fairmont Building, Beijing, the People's Republic of China ("PRC").

During the year, the Company and its subsidiaries (together, the "Group") were involved in the operation of product identification, authentication and tracking system ("PIATS") principally for the drug industry in the PRC and exploration of business models in internet healthcare sector. In the opinion of the directors, the holding company of the Company is Perfect Advance Holding Limited ("Perfect Advance"), which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance, which, because the Company has not early adopted the revised disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended March 31, 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*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*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from July 1, 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(e) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group.

(f) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(g) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(h) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.3 CORRECTION OF PRIOR YEAR ERRORS

As reported in the consolidated financial statements of the Group for the year ended March 31, 2014, revenue from the use of PIATS business is recognised when the services are provided, and revenue in respect of granting the customers an access right to PIATS platform is recognised upon the delivery of the security key to customers. The directors of the Company conducted an evaluation of the above basis of revenue recognition during the year. The directors of the Company determined that the main purpose of the delivery of the security key and the grant of the access right to PIATS platform is to allow the users access to the underlying services provided by the Group's PIATS platform to process their data. Pharmaceutical manufacturers, distributors, retailers, and medical and healthcare institutions are all granted access to the Group's PIATS platform through the use of individualised security keys. Such users are then able to process data on the Group's PIATS platform, including product tracking, and providing recall and enforcement information services to the relevant authorities in the PRC. The Group needs to operate and maintain the PIATS platform to allow users to use this service over a period of time. Therefore, the directors of the Company concluded that the correct treatment is to recognise the revenue received as the underlying services are provided to the users over time, and a consistent treatment should be applied to all users of the PIATS platform, and the directors decided to proceed with the restatements.

The impact of the restatements made in respect of the errors from the revenue recognition is as follows:

Consolidated statement of profit or loss for the year ended March 31, 2014

	As previously reported HK$'000	Increase/ (decrease) HK$'000	As restated HK$'000
Revenue	60,215	(32,728)	27,487
Gross profit	46,292	(32,728)	13,564
Loss before tax	895	32,728	33,623
Loss for the year	1,855	32,728	34,583
Total comprehensive loss for the year	1,855	32,728	34,583
Loss for the year attributable to owners of the Company	6,472	32,728	39,200

	HK cents	HK cents	HK cents
Basic and diluted loss per share	(0.17)	(0.88)	(1.05)

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.3 CORRECTION OF PRIOR YEAR ERRORS (continued)

Consolidated statement of financial position as at March 31, 2014

	As previously reported HK$'000	Increase/ (decrease) HK$'000	As restated HK$'000
Trade receivables	18,031	5,694	23,725
Prepayments, deposits and other receivables	8,697	(550)	8,147
Total current assets	248,067	5,144	253,211
Other payables and accruals (including receipt in advance)	96,165	18,301	114,466
Total current liabilities	98,926	18,301	117,227
Net current assets	149,141	(13,157)	135,984
Total assets less current liabilities	390,070	(13,157)	376,913
Deferred revenue	–	19,571	19,571
Total non-current liabilities	5,308	19,571	24,879
Net assets and equity	384,762	(32,728)	352,034
Non-controlling interests	69,809	–	69,809

The retrospective restatements as a result of the prior year errors did not have a material effect on the information in the consolidated statement of financial position as at April 1, 2013. Accordingly, the opening statement of financial position as at April 1, 2013 is not presented.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.4 NEW AND REVISED HKFRSs AND REVISED DISCLOSURE REQUIREMENTS UNDER THE REVISED LISTING RULES

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements.

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

1 Effective for annual periods beginning on or after July 1, 2014
2 Effective for annual periods beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after January 1, 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group

In addition, the amendments to the Listing Rules announced by the Stock Exchange in February 2015 relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) and HKFRSs will be applied for the year ending March 31, 2016. They will affect the presentation and disclosure of certain information in the consolidated financial statements for the next financial year.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from April 1, 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from April 1, 2016.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.4 NEW AND REVISED HKFRSS AND REVISED DISCLOSURE REQUIREMENTS UNDER THE REVISED LISTING RULES (continued)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on April 1, 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on its effective date and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Group expects to adopt the amendments from April 1, 2016.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on April 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012* Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from April 1, 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in an associate or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate or joint venture is included as part of the Group's investments in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results of an associate and a joint venture are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associate and joint venture are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

or

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of lease terms or 20%
Computer equipment, furniture and fixtures	9%–30%
Motor vehicles	9%–18%

Where parts of an item of property and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation (continued)

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents equipment under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the costs of equipment. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Licence rights

Licence rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred assets to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value.

The Group's financial liabilities include trade payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

(a) from PIATS business, as further explained in the accounting policy for "PIATS business" below;

(b) from systems integration contracts, on the percentage of completion basis, as further explained in the accounting policy for "Systems integration and software development contracts" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PIATS business

The Group renders series of underlying services through its PIATS platform to the customers, including product tracking, and providing recall and enforcement information services to the relevant authorities in the PRC. The service is rendered over a period of time. Deferred revenue is recorded upon the delivery of the security key to customers, and revenue is recognised ratably over the period when the underlying services are provided.

System integration and software development contracts

Contract revenue on the system integration and software development contracts represents the agreed contract amount. Contract costs comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from system integration and software development contracts is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme and share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and/or awards is reflected as additional share dilution in the computation of loss per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Full-time employees of the Group's subsidiaries which operate in Mainland China are required to participate in a defined contribution scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the defined contribution scheme which includes pension, medical care, unemployment insurance, employee housing fund and other welfare. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the defined contribution scheme. The Group has no legal obligation for the benefits beyond the contributions made.

Dividends

When the final dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Service period of PIATS business

The Group conducts PIATS business and renders service principally to drugs industry in the PRC. In respect of certain customers, the Group estimated and determined the service period based on the Group's business plan and foreseeable circumstances. As the service period is an accounting estimate, the Group will continue to review and assess such estimation from time to time, as the Group's PIATS business continues to develop.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. When there is objective indication of impairment loss, the Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial conditions of its customers deteriorate, the actual impairment loss may be higher than expected, the Group would be required to revise the basis of making the allowance.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. No deferred tax asset was recognised at the consolidated statement of financial position at March 31, 2015 in relation to the estimated unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. The reportable operating segments include PIATS business and new business initiatives, which is engaged in the operation of PIATS for healthcare and other industries, operation of cloud hospital platform and online and offline ("O2O") pharmacy platform. The other operating segment of system integration and software development business has been winding down and no revenue was generated during the year, and no revenue from the business is expected by the Group in future periods.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except share of profits and losses of a joint venture and an associate, unallocated other income and gains (interest income, dividend income from available-for-sale listed securities and change in fair value of investments held for trading) as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, investment in an associate, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liability and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

4. OPERATING SEGMENT INFORMATION (continued)

	Segment revenue		Segment profit/(loss)	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
PIATS business and new business initiatives	**37,180**	24,920	**(102,504)**	(24,433)
System integration and software development	**–**	2,567	**451**	3,354
Total	**37,180**	27,487	**(102,053)**	(21,079)
Reconciliation:				
Share of profits and losses of a joint venture			**7,110**	(1,816)
Share of profits and losses of an associate			**11,585**	9,602
Unallocated other income and gains			**20,073**	2,309
Unallocated corporate expenses			**(40,687)**	(22,639)
Loss before tax			**(103,972)**	(33,623)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

	2015	2014
	HK$'000	HK$'000
		(Restated)
Segment assets		
PIATS business and new business initiatives	**20,881**	74,694
System integration and software development	**618**	907
	21,499	75,601
Reconciliation:		
Investment in a joint venture	**93,965**	86,855
Investment in an associate	**119,532**	107,947
Cash and cash equivalents	**1,522,099**	221,339
Other unallocated assets	**3,805**	2,398
Total assets	**1,760,900**	494,140

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

4. OPERATING SEGMENT INFORMATION (continued)

	2015 HK$'000	2014 HK$'000 (Restated)
Segment liabilities		
PIATS business and new business initiatives	**160,340**	124,424
System integration and software development	**6,061**	6,273
	166,401	130,697
Reconciliation:		
Tax payable	**19**	19
Deferred tax liability	**6,467**	5,308
Other unallocated liabilities	**4,396**	6,082
Total liabilities	**177,283**	142,106

	PIATS business and new business initiatives		System integration and software development		Others	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Other segment information						
Impairment losses recognised in the statement of profit or loss	**24,237**	352	**–**	–	**–**	–
Loss on write-off of intangible assets	**33,615**	–	**–**	–	**–**	–
Loss on disposal of items of property and equipment	**1,699**	–	**–**	–	**–**	–
Depreciation and amortisation	**9,600**	6,125	**2**	1	**190**	6
Capital expenditure*	**4,352**	4,708	**–**	4	**–**	23
Settlement of a litigation and reversal of related accruals *(note 30)*	**88,042**	–	**–**	–	**–**	–

* Capital expenditure consists of additions to property and equipment.

Geographical information

Substantially all of the Group's revenue and non-current assets were derived from and located in PRC and, therefore, no geographical analysis is presented.

Information about a major customer

During the years ended March 31, 2015 and 2014, there was no revenue derived from transactions with a single external customer which individually amounted to 10% or more of the Group's revenue.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the revenue recognised from PIATS business and an appropriate proportion of contract revenue of systems integration and software development contracts during the year.

An analysis of revenue, other income and gains is as follows:

	2015 HK$'000	2014 HK$'000 (Restated)
Revenue		
PIATS business	37,180	24,920
System integration and software development	–	2,567
	37,180	27,487
Other income		
Bank interest income	20,073	618
Dividend income from available-for-sale listed securities	–	1,085
Recovery of bad debts previously written off	932	2,271
Settlement of a litigation and reversal of related accruals *(note 30)*	88,042	–
	109,047	3,974
Gains		
Change in fair value of investments held for trading	–	606
	109,047	4,580

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Auditors' remuneration		**850**	2,067
Cost of revenue		**17,225**	13,923
Depreciation	*12*	**7,374**	3,008
Amortisation of intangible assets	*13*	**2,418**	3,124
Loss on write-off of intangible assets*	*13*	**33,615**	–
Loss on disposal of items of property and equipment*		**1,699**	–
Minimum lease payments under operating leases for office buildings		**11,074**	8,278
Impairment of trade receivables*	*17*	**24,049**	–
Impairment of other receivables*	*18*	**188**	352
Employee benefit expense (including directors' remuneration – *note 7*):			
Wages and salaries		**75,936**	34,837
Pension scheme contributions**		**5,062**	2,669
Equity-settled share-based payment expense	*25*	**13,440**	–
		94,438	37,506
Foreign exchange differences, net*		**7,768**	530

* These items are included in "Other expenses" in the consolidated statement of profit or loss.

** At March 31, 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: Nil).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group 2015 HK$'000	2014 HK$'000
Fees	**858**	1,560
Other emoluments:		
Salaries, allowances and benefits in kind	**100**	1,285
Pension scheme contributions	**1**	15
	101	1,300
	959	2,860

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 HK$'000	2014 HK$'000
Mr. WONG King On, Samuel[2]	322	–
Mr. YAN Xuan[2]	215	–
Mr. LUO Tong[2]	215	–
Dr. HUI Ho Ming, Herbert, JP[1]	68	360
Mr. ZHANG Jian Ming[1]	–	–
Dr. LONG Junsheng[1]	38	200
	858	560

1 Resigned on May 9, 2014
2 Appointed on May 9, 2014

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015				
Executive directors:				
Dr. WANG Jian[2,3]	–	–	–	–
Ms. CHEN Xiao Ying	–	100	1	101
Mr. WANG Jun[1]	–	–	–	–
Mr. LUO Ning[1]	–	–	–	–
Mr. SUN Yalei[1]	–	–	–	–
Mr. ZHANG Lian Yang[1]	–	–	–	–
Ms. XIA Guilan[1]	–	–	–	–
	–	100	1	101
Non-executive directors:				
Mr. ZHANG Yong	–	–	–	–
Mr. CHEN Jun		–	–	–
Mr. CHIA Pun Kok[2,3]	–	–	–	–
Mr. YU Feng	–	–	–	–
	–	–	–	–
	–	100	1	101

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014				
Executive directors:				
Mr. WANG Jun[1]	1,000	–	–	1,000
Ms. CHEN Xiao Ying	–	1,285	15	1,300
Mr. LUO Ning[1]	–	–	–	–
Mr. SUN Yalei[1]	–	–	–	–
Mr. ZHANG Lian Yang[1]	–	–	–	–
Ms. XIA Guilan[1]	–	–	–	–
Dr. WANG Jian[2,3]	–	–	–	–
	1,000	1,285	15	2,300
Non-executive directors:				
Mr. ZHANG Yong[2]	–	–	–	–
Mr. CHEN Jun[2]	–	–	–	–
Mr. CHIA Pun Kok[2,3]	–	–	–	–
Mr. YU Feng[2]	–	–	–	–
	–	–	–	–
	1,000	1,285	15	2,300

1 Resigned on April 30, 2014
2 Appointed on April 30, 2014
3 Resigned on April 17, 2015

* Ms. CHEN Xiao Ying ("Ms. Chen") agreed to waive her remuneration of HK$100,000 per month from May 2014 onwards. During the year ended March 31, 2015, Ms. Chen's remuneration of HK$1,100,000 has been waived (2014: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil (2014: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining five (2014: three) non-director, highest paid employees for the year are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**22,777**	2,788
Performance related bonuses	**1,753**	–
Equity-settled share-based payment expense	**13,440**	–
Pension scheme contributions	**86**	32
	38,056	2,820

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
Nil to HK$1,000,000	–	2
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	1	–
HK$16,500,001 to HK$17,000,000	1	–
HK$17,500,001 to HK$18,000,000	1	–
	5	3

9. INCOME TAX

	2015	2014
	HK$'000	HK$'000
Group:		
Deferred *(note 22)*	**1,159**	960
Total tax charge for the year	**1,159**	960

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil).

In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for a PRC subsidiary which is entitled to a preferential tax rate at 15%.

Deferred income tax represents the withholding tax on the distributable profits of the Group's PRC associate.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

9. INCOME TAX (continued)

The share of tax attributable to a joint venture amounting to approximately HK$2,632,000 (2014: HK$1,021,000) is included in "Share of profits and losses of a joint venture" in the consolidated statement of profit or loss.

The share of tax attributable to an associate amounting to approximately HK$1,899,000 (2014: HK$1,793,000) is included in "Share of profits and losses of an associate" in the consolidated statement of profit or loss.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2015		2014	
	HK$'000	**%**	HK$'000 (Restated)	%
Loss before tax	**(103,972)**		(33,623)	
Tax at the statutory tax rate	**(25,993)**	**25.0**	(8,406)	25.0
Effect of different tax rates of subsidiaries operating in Hong Kong	**1,010**	**(1.0)**	1,535	(4.6)
Lower tax rate for specific provinces or enacted by local authority	**10,439**	**(10.0)**	2,053	(6.1)
Profits and losses attributable to a joint venture	**(1,777)**	**1.7**	454	(1.4)
Profits and losses attributable to an associate	**(2,896)**	**2.8**	(2,400)	7.1
Income not subject to tax	**(3,430)**	**3.3**	(431)	1.3
Expenses not deductible for tax	**18,179**	**(17.5)**	3,099	(9.2)
Withholding tax on the distributable profits of the Group's PRC associate	**1,159**	**(1.1)**	960	(2.9)
Tax losses utilised from previous periods	**(35)**	**–**	(4,559)	13.6
Tax losses not recognised	**4,503**	**(4.3)**	8,655	(25.7)
Tax charge at the Group's effective rate	**1,159**	**(1.1)**	960	(2.9)

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended March 31, 2015 includes a loss of approximately HK$14,366,000 (2014: a loss of HK$68,424,000) which has been dealt with in the financial statements of the Company (note 26 (b)).

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 7,810,075,649 (2014: 3,718,249,357) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended March 31, 2014 and 2015 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the loss per share amounts presented.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

12. PROPERTY AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Computer equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
March 31, 2015					
At March 31, 2014 and at April 1, 2014:					
Cost	11,752	69,577	1,758	3,380	86,467
Accumulated depreciation and impairment	(8,185)	(66,464)	(1,724)	–	(76,373)
Net carrying amount	3,567	3,113	34	3,380	10,094
At April 1, 2014, net of accumulated depreciation and impairment	3,567	3,113	34	3,380	10,094
Additions	573	3,515	–	264	4,352
Disposals	(1,139)	(708)	–	–	(1,847)
Depreciation provided during the year	(973)	(6,401)	–	–	(7,374)
Transfers	–	3,593	–	(3,593)	–
At March 31, 2015, net of accumulated depreciation and impairment	2,028	3,112	34	51	5,225
At March 31, 2015:					
Cost	10,810	43,789	1,758	51	56,408
Accumulated depreciation and impairment	(8,782)	(40,677)	(1,724)	–	(51,183)
Net carrying amount	2,028	3,112	34	51	5,225

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

12. PROPERTY AND EQUIPMENT (continued)

Group

	Leasehold improvements HK$'000	Computer equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
March 31, 2014					
At April 1, 2013:					
Cost	12,252	67,650	3,547	3,366	86,815
Accumulated depreciation and impairment	(10,914)	(64,021)	(3,513)	–	(78,448)
Net carrying amount	1,338	3,629	34	3,366	8,367
At April 1, 2013, net of accumulated depreciation and impairment	1,338	3,629	34	3,366	8,367
Additions	2,794	1,927	–	14	4,735
Depreciation provided during the year	(565)	(2,443)	–	–	(3,008)
At March 31, 2014, net of accumulated depreciation and impairment	3,567	3,113	34	3,380	10,094
At March 31, 2014:					
Cost	11,752	69,577	1,758	3,380	86,467
Accumulated depreciation and impairment	(8,185)	(66,464)	(1,724)	–	(76,373)
Net carrying amount	3,567	3,113	34	3,380	10,094

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

12. PROPERTY AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Computer equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
March 31, 2015				
At March 31, 2014 and at April 1, 2014:				
Cost	**6,613**	**438**	**1,023**	**8,074**
Accumulated depreciation	**(6,613)**	**(416)**	**(1,023)**	**(8,052)**
Net carrying amount	**–**	**22**	**–**	**22**
At April 1, 2014, net of accumulated depreciation	**–**	**22**	**–**	**22**
Depreciation provided during the year	**–**	**(7)**	**–**	**(7)**
At March 31, 2015, net of accumulated depreciation	**–**	**15**	**–**	**15**
At March 31, 2015:				
Cost	**6,613**	**438**	**1,023**	**8,074**
Accumulated depreciation	**(6,613)**	**(423)**	**(1,023)**	**(8,059)**
Net carrying amount	**–**	**15**	**–**	**15**

Company

	Leasehold improvements HK$'000	Computer equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
March 31, 2014				
At April 1, 2013				
Cost	6,613	415	1,023	8,051
Accumulated depreciation	(6,607)	(415)	(1,023)	(8,045)
Net carrying amount	6	–	–	6
At April 1, 2013, net of accumulated depreciation	6	–	–	6
Addition	–	23	–	23
Depreciation provided during the year	(6)	(1)	–	(7)
At March 31, 2014, net of accumulated depreciation	–	22	–	22
At March 31, 2014:				
Cost	6,613	438	1,023	8,074
Accumulated depreciation	(6,613)	(416)	(1,023)	(8,052)
Net carrying amount	–	22	–	22

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

13. INTANGIBLE ASSETS

Group

	Licence rights HK$'000
March 31, 2015	
Cost at March 31, 2014 and April 1, 2014, net of accumulated amortisation and impairment	36,033
Amortisation provided during the year	(2,418)
Write-off *(note)*	(33,615)
At March 31, 2015	–
At March 31, 2015:	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	–
March 31, 2014	
Cost at April 1, 2013, net of accumulated amortisation and impairment	39,157
Amortisation provided during the year	(3,124)
At March 31, 2014	36,033
At March 31, 2014:	
Cost	90,253
Accumulated amortisation and impairment	(54,220)
Net carrying amount	36,033

Note:

Licence rights represented the amounts paid for obtaining the unlimited deployment right of Oracle database management software and middleware for use in PIATS business. During the year, the Group changed its business operating system from Oracle system to Ali Cloud system, the Group expects that it will no longer receive any economic benefits from the use of the Oracle system, therefore, the Group wrote off the licence rights with carrying amount of HK$33,615,000, and recognised the loss on write-off of intangible assets of HK$33,615,000 accordingly (note 6).

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK$'000	HK$'000
Unlisted shares, at cost	13,000	13,000
Due from subsidiaries	513,402	417,977
	526,402	430,977
Impairment#	(378,213)	(167,691)
	148,189	263,286

Impairment was recognised for certain unlisted investments with a carrying amount of HK$509,817,000 (before deducting the impairment loss) (2014: HK$405,543,000) because those subsidiaries are loss making.

An additional impairment of HK$210,522,000 was made during the year. The amounts due from subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these amount due from subsidiaries are considered as part of the Company's investments in its subsidiaries. In the opinion of directors, the recoverable amounts of the investments are based on their fair value less cost of disposal. The management has estimated the fair value of investments based on their net asset values, as the fair value of the investments' underlying assets and liabilities approximates to their carrying amounts due to the short term maturities of those instruments. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

The amounts due to subsidiaries included in the Company's current liabilities are unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

14. INVESTMENTS IN SUBSIDIARIES (continued)

As at March 31, 2015, the particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CITIC 21CN Telecom Company Limited ("CITIC 21CN Telecom")	Hong Kong	HK$1,000,000	–	100	Investment holding
中信二十一世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Company Limited@)*#	PRC/Mainland China	RMB200,000,000	–	100	Provision of product identification, authentication and tracking system business in drug industry
廣東天圖科技有限公司 (Guangdong Grand Cycle Technology Company Limited@)*#	PRC/Mainland China	HK$21,000,000	–	100	System integration, and software development
中信國檢信息技術有限公司 (China Credit Information Technology Company Limited@) ("CCIT")*^	PRC/Mainland China	RMB60,000,000	–	50	Provision of product, identification, authentication and tracking system in other consumer product industries

@ For identification purpose only

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

\# Registered as wholly-foreign-owned enterprises under PRC law

^ CCIT is accounted for as a subsidiary of the Group because the percentage of voting power attributable to the Group is 80% due to an entrustment arrangement between the Group and a 30% shareholder of CCIT, pursuant to which the shareholder entrusted all his voting right to the Group.

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

14. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiary that has material non-controlling interests are set out below:

	2015	2014
Percentage of equity interest held by non-controlling interests of CCIT	50%	50%

	2015 HK$'000	2014 HK$'000
(Loss)/profit for the year allocated to non-controlling interests of CCIT	(3,605)	4,617
Dividends paid to non-controlling interests of CCIT	–	–
Accumulated balances of non-controlling interests at the reporting dates	(73,414)	(69,809)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2015 HK$'000	2014 HK$'000
Revenue	2,930	945
Other income	–	17,515
Total expenses	(10,140)	(9,226)
(Loss)/profit for the year	(7,210)	9,234
Total comprehensive (loss)/income for the year	(7,210)	9,234
Current assets	1,130	2,711
Non-current assets	34	34
Current liabilities	(13,348)	(19,783)
Non-current liabilities	(134,644)	(122,580)
Net liabilities	(146,828)	(139,618)
Net cash flows used in operating activities	(6,283)	(40,007)
Net cash flows from financing activities	5,000	41,250
Net (decrease)/increase in cash and cash equivalents	(1,283)	1,243

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

15. INVESTMENT IN A JOINT VENTURE

	Group 2015 HK$'000	2014 HK$'000
Share of net assets	**93,965**	86,855

Particulars of the Group's joint venture are as follows:

Name	Particulars of capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
北京鴻聯九五信息產業有限公司 ("Beijing Honglian 95 Information Industries Company Limited"@) ("HL95")*	Registered capital of RMB1 each	PRC/Mainland China	49	49	49	Provision of telecommunication/ information value added services

@ For identification purpose only

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The above investment in a joint venture is indirectly held by the Company.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

15. INVESTMENT IN A JOINT VENTURE (continued)

The following table illustrates the summarised financial information in respect of HL95 adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2015 HK$'000	2014 HK$'000
Cash and cash equivalents	36,385	72,168
Other current assets	235,249	163,900
Current assets	271,634	236,068
Non-current assets	69,583	83,282
Financial liabilities, excluding trade and other payables	–	(12,500)
Other current liabilities	(148,527)	(129,595)
Current liabilities	(148,527)	(142,095)
Non-current liabilities	(925)	–
Net assets	191,765	177,255
Reconciliation to the Group's investment in the joint venture:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the joint venture	93,965	86,855
Carrying amount of the investment	93,965	86,855
Revenue	1,379,920	1,205,465
Depreciation and amortisation	(23,496)	(16,174)
Interest expenses	(186)	(1,062)
Tax	(5,372)	(2,083)
Profit/(loss) and total comprehensive income/(loss) for the year	14,510	(3,707)
Dividend received	–	–

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

16. INVESTMENT IN AN ASSOCIATE

	Group 2015 HK$'000	Group 2014 HK$'000
Share of net assets	**119,532**	107,947

Particulars of the Group's associate are as follows:

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
東方口岸科技有限公司 (Dongfang Customs Technology Company Limited@) ("Dongfang Customs")	Registered capital of RMB1 each	PRC/Mainland China	30	Operation of platform for electronic customs processing

The above investment in associate is indirectly held by the Company and the associate is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

16. INVESTMENT IN AN ASSOCIATE (continued)

The following table illustrates the summarised financial information in respect of Dongfang Customs adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2015 HK$'000	2014 HK$'000
Cash and cash equivalents	220,845	175,984
Other current assets	62,465	59,700
Current assets	283,310	235,684
Non-current assets	188,887	195,981
Financial liabilities, excluding trade and other payables	–	–
Other current liabilities	(73,757)	(71,841)
Current liabilities	(73,757)	(71,841)
Non-current liabilities	–	–
Net assets	398,440	359,824
Reconciliation to the Group's investment in an associate:		
Proportion of the Group's ownership	30%	30%
Group's share of net assets of the associate	119,532	107,947
Carrying amount of the investment	119,532	107,947
Revenue	170,725	204,059
Interest income	1,937	1,924
Depreciation and amortisation	(12,808)	(14,348)
Tax	(6,329)	(5,978)
Profit and total comprehensive income for the year	38,617	32,006
Dividend received	–	–

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

17. TRADE RECEIVABLES

	Group 2015 HK$'000	2014 HK$'000 (Restated)
Trade receivables	**25,386**	26,546
Impairment	**(24,049)**	(2,821)
	1,337	23,725

The Group's trading terms with some of its customers are on credit. The Group provides a credit period of 90 days. Trade receivables are settled in accordance with the terms of the respective contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group 2015 HK$'000	2014 HK$'000 (Restated)
Within 3 months	**1,337**	23,024
3 to 12 months	**–**	670
1 to 2 years	**–**	31
	1,337	23,725

The movements in the provision for impairment of trade receivables are as follows:

	Group 2015 HK$'000	2014 HK$'000 (Restated)
At April 1	**2,821**	2,821
Impairment losses recognised *(note 6)*	**24,049**	–
Amount written off as uncollectible	**(2,821)**	–
At March 31	**24,049**	2,821

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

17. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK$24,049,000 (2014: Nil) with a carrying amount before provision of approximately HK$24,049,000 (2014: Nil). The individually impaired trade receivables relate to customers that were in financial difficulties and the full amount of the receivables is not expected to be recoverable.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Neither past due nor impaired	**1,337**	23,024
Less than 6 months past due	**–**	670
More than 6 months past due	**–**	31
	1,337	23,725

Receivables that were neither past due nor impaired relate to a number of diversified customers.

Receivables that were past due but not impaired relate to a number of independent customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Prepayments	**4,275**	3,984	**1,418**	1,047
Deposits and other receivables	**14,655**	4,515	**1,566**	909
Impairment	**(188)**	(352)	**–**	–
	18,742	8,147	**2,984**	1,956

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movement in provision for impairment of other receivables during the year are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
At April 1	**352**	–
Impairment losses recognised *(note 6)*	**188**	352
Amount written off as uncollectible	**(352)**	–
At March 31	**188**	352

The individually impaired other receivables of HK$188,000 (2014: HK$352,000) relate to debtors that were in financial difficulties and the outstanding receivables are not expected to be recovered.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**159,312**	66,363	**42,476**	29,465
Time deposits with original maturity of three months or less when acquired	**1,357,671**	150,014	**1,357,671**	143,764
	1,516,983	216,377	**1,400,147**	173,229
Time deposits with original maturity of over three months when acquired	**5,116**	4,962	**–**	–
Cash and cash equivalents	**1,522,099**	221,339	**1,400,147**	173,229

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB placed in the PRC amounted to approximately HK$121,284,000 (2014: HK$32,932,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

20. TRADE PAYABLES

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

	Group	
	2015	2014
	HK$'000	HK$'000
Within 3 months	**1,352**	115
3 to 12 months	**595**	187
Over 12 months	**2,619**	2,440
	4,566	2,742

The trade payables are non-interest-bearing and are normally settled on terms of 90 to 180 days.

Included in the trade payables are trade payables of HK$734,000 (2014: Nil) due to a subsidiary of Alibaba Group Holding Limited ("Alibaba Group"), a substantial shareholder of the Company, which are repayable within 90 days, which represents similar credit terms to those offered by the related company to their major customers.

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Other payables	**20,708**	45,421	**1,947**	3,771
Accruals	**54,756**	11,875	**–**	–
Receipt in advance	**47,717**	35,711	**–**	–
Deferred revenue *(note 23)*	**24,885**	21,459	**–**	–
	148,066	114,466	**1,947**	3,771

Other payables are non-interest-bearing and have an average term of three months.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

22. DEFERRED TAX

Deferred tax liability

Group

	Withholding taxes on distributable profits of the Group's PRC associate HK$'000
At April 1, 2013	4,348
Deferred tax charged to the consolidated statement of profit or loss *(note 9)*	960
Gross deferred tax liability at March 31, 2014 and April 1, 2014	5,308
Deferred tax charged to the consolidated statement of profit or loss *(note 9)*	1,159
Gross deferred tax liability at March 31, 2015	6,467

Deferred tax assets have not been recognised in respect of the following items:

	Group 2015 HK$'000	2014 HK$'000
Tax losses	**753,065**	787,149
Impairment of trade receivables and other receivables	**24,237**	352
	777,302	787,501

The Group has tax losses arising in Hong Kong of approximately HK$637,420,000 (2014: HK$603,552,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$115,645,000 (2014: HK$183,597,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after March 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries, joint venture and associate established in Mainland China in respect of earnings generated from 1 January 2008.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

22. DEFERRED TAX (continued)

Deferred tax liability (continued)

At March 31, 2015, there are no unremitted earnings of the Group's subsidiaries and joint venture established in Mainland China.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. DEFERRED REVENUE

	Group	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Deferred revenue from PIATS business	**43,050**	41,030
Less: Current portion *(note 21)*	**(24,885)**	(21,459)
	18,165	19,571

24. SHARE CAPITAL

	2015	2014
	HK$'000	HK$'000
Authorised:		
10,000,000,000 (2014: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
8,172,644,639 (2014: 3,748,969,631) ordinary shares of HK$0.01 each	**81,727**	37,490

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

24. SHARE CAPITAL (continued)

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

	Number of shares in issue	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At April 1, 2013	3,717,869,631	37,179	769,675	806,854
Share options exercised *(note a)*	31,100,000	311	110,603	110,914
At March 31, 2014 and April 1, 2014	3,748,969,631	37,490	880,278	917,768
Share options exercised *(note b)*	500,000	5	1,815	1,820
Issue of shares *(note c)*	4,423,175,008	44,232	1,282,721	1,326,953
	8,172,644,639	81,727	2,164,814	2,246,541
Share issue expenses	–	–	(2,671)	(2,671)
At March 31, 2015	8,172,644,639	81,727	2,162,143	2,243,870

Notes:

(a) During the year ended March 31, 2014, the subscription rights attaching to 31,100,000 share options were exercised at the subscription price ranging from HK$2.525 to HK$3.175 per share (note 25), resulting in the issue of 31,100,000 shares for a total cash consideration, before expenses, of HK$98,352,000. An amount of HK$12,562,000 was transferred from the employee share-based compensation reserve to share premium upon the exercise of the share options.

(b) On April 10, 2014, the subscription rights attaching to 500,000 share options were exercised at the subscription price of HK$3.175 per share (note 25), resulting in the issue of 500,000 shares for a total cash consideration, before expenses, of HK$1,588,000. An amount of HK$232,000 was transferred from the employee share-based compensation reserve to share premium upon the exercise of the share options.

(c) On April 30, 2014, 4,423,175,008 shares of HK$0.01 each were allotted and issued to Perfect Advance for cash payment at the subscription price of HK$0.30 per share for a total cash consideration, before expenses, of HK$1,326,953,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 25 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

25. SHARE – BASED COMPENSATION COSTS

Share option scheme

The Company operated a share option scheme (the "Share Option Scheme") which became effective on August 29, 2013 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Company's directors or proposed directors, including independent non-executive directors, other employees or proposed employees of the Group or any individual for the time being seconded to work for the Group, any substantial shareholder of any member of the Group, any contractor, agent or representative of the Group, any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Group, any supplier or licensor of goods or services to the Group, or any customer or licensee (including any sub-licensee) of goods or services of the Group.

The Share Option Scheme was terminated and replaced by a share award scheme as further detailed below in November 2014. As at the date of termination, no share options were outstanding under the Share Option Scheme.

The maximum number of unexercised share options permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the directors may determine in granting the option and expiring at the close of business on such date as the directors may determinate in granting the option but in any event shall not exceed ten years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted). Save as determined by the directors and provided in the offer of the grant of the relevant options, there is no general requirement that an option must be held for any minimum period before it can be exercised.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer of grant; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

25. SHARE – BASED COMPENSATION COSTS (continued)

Share option scheme (continued)

The following share options were outstanding under the Share Option Scheme during the year:

	2015 Weighted average exercise price HK$ per share	2015 Number of options '000	2014 Weighted average exercise price HK$ per share	2014 Number of options '000
At April 1	3.175	500	0.895	156,600
Exercised during the year	3.175	(500)	3.162	(31,100)
Expired during the year	–	–	0.322	(125,000)
At March 31	–	–	3.175	500

The weighted average share price at the date of exercise for share options exercised during the year was HK$5.33 per share (2014: HK$5.67 per share).

The exercise price and exercise period of the share options outstanding as at March 31, 2014 are as follows:

2014

Number of options '000	Exercise price *(Note)* HK$ per share	Exercise period
500	3.175	23.03.2006 to 22.03.2015

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The Group did not recognise any expenses during the years ended March 31, 2015 and 2014 in relation to share options granted by the Company as all share options had been vested in prior years.

The 500,000 share options exercised during the year resulted in the issue of 500,000 ordinary shares of the Company and new share capital of HK$5,000 (before issue expenses), as further detailed in note 24 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

25. SHARE – BASED COMPENSATION COSTS (continued)

Share award scheme

On November 24, 2014 (the "Adoption Date"), the Group adopted a share award scheme (the "Share Award Scheme") to replace the existing Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. An award ("Award") granted under the Share Award Scheme may either take the form of a restricted share unit ("RSU"), being a contingent right to receive shares of the Company which is awarded under the Share Award Scheme; or an option ("Option") to subscribe for or acquire shares of the Company which is granted under the Share Award Scheme. Eligible participants of the Share Award Scheme include the directors (including executive directors, non-executive directors and independent non-executive directors), the directors of the Company's subsidiaries, the employees of the Group or any other persons as determined by the directors of the Company who the directors considers, in its absolute discretion, have contributed or will contribute to the Group. The Share Award Scheme became effective on November 24, 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares in respect of which Awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the "Scheme Mandate Limit"), or 3% of the shares in issue as at the new approval date of the renewed Scheme Mandate Limit.

Any grant of an Award to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued and/or transferred and to be transferred upon the exercise and/or vesting of all awards already granted and to be granted (including options and/or restricted share units exercised, cancelled and outstanding) to such person under the Share Award Scheme and any other share award schemes of the Company in the 12-month period up to and including the date of grant, representing in aggregate over 0.1% of the shares in issue on the date of grant; and (b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million, such further grant of an Award shall be subject to prior approval by the shareholders in general meeting.

The offer of an Award may remain open for acceptance by the grantees for such time to be determined by the board of directors but before the expiry of the Share Award Scheme, upon payment of a nominal consideration of HK$1 (or such other amount in any other currency as the directors may determine) in total by the grantee. Subject to the terms of the Share Award Scheme and to the specific terms on which each Award is granted, the shares underlying an Award shall vest on a vesting date to be determined by the directors. If vesting is subject to the satisfaction of performance or other conditions and such conditions are not satisfied in whole or in part, the Award shall lapse automatically in respect of such proportion of underlying shares as have not vested with effect from the date on which the conditions are not satisfied.

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

The Awards do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Up to the end of the current reporting period, no Award has been granted by the Group since the Adoption Date under the Share Award Scheme.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

25. SHARE – BASED COMPENSATION COSTS (continued)

Share award scheme (continued)

On April 21, 2015, the Company granted 8,700,000 Options under the Share Award Scheme with an exercise price of HK$12.3 per share to Mr. Wang Yaqing ("Mr. Wang"), a director of a subsidiary of the Company. 50% of the Options granted to Mr. Wang will vest on April 30, 2016, 25% of the Options will vest on April 30, 2017 and 25% of the Options will vest on April 30, 2018.

On April 6, 2015, the directors of the Company conditionally resolved to grant 3,300,000 RSUs to Mr. Wang in accordance with the terms of the Share Award Scheme. 50% of the RSUs granted to Mr. Wang will vest on April 30, 2016, 25% of the RSUs will vest on April 30, 2017 and 25% of the RSUs will vest on April 30, 2018. On June 12, 2015, the Company held a special general meeting, at which the shareholders of the Company approved to grant the RSUs to Mr. Wang.

An equity-settled share-based payment transaction

On January 15, 2015 (the "Effective Date"), as a reward for Mr. Wang's past service to the Group, Perfect Advance and Ms. Chen Xiao Ying, shareholders of the Company, sold 2,547,000 and 453,000 shares of the Company respectively, to Mr. Wang at a lower-than-market price of HK$0.9 per share (the "Arrangement"). The market price of the shares of the Company was HK$5.38 per share at the Effective Date. The difference between the purchase price and the market price of the 3,000,000 shares sold to Mr. Wang amounted to HK$13,440,000. The Arrangement constitutes an equity-settled share-based payment transaction and the Group recognised a share-based payment expense of HK$13,440,000 and a corresponding contribution from shareholders during the year.

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 37 of the financial statements.

The Group's capital reserve as at April 1, 2013 represents the deemed contribution from the then shareholder, CITIC Group Corporation (formerly known as "CITIC Group"), made upon the acquisition of the associate, Dongfang Customs, from CITIC Group during the year ended March 31, 2005. During the year ended March 31, 2014, another shareholder of Dongfang Customs waived the payable of HK$2,913,000 due from Dongfang Customs and the Group's share of such amount is accounted for as deemed contribution from that shareholder. During the year ended March 31, 2015, the addition represents the contribution from shareholders in relation to an equity-settled share-based payment transaction which is further detailed in note 25 to the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

General reserve represents the share of PRC statutory reserves from the joint venture. PRC statutory reserves are required to be maintained under the relevant PRC laws applicable to the joint venture of the Group.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

26. RESERVES (continued)

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At April 1, 2013		769,675	58,318	20,831	–	(533,565)	315,259
Total comprehensive loss for the year		–	–	–	–	(68,424)	(68,424)
Exercise of share options	25	110,603	–	(12,562)	–	–	98,041
Transfer of employee share-based compensation reserve upon the forfeiture or expiry of share options		–	–	(8,037)	–	8,037	–
At March 31, 2014 and at April 1, 2014		880,278	58,318	232	–	(593,952)	344,876
Total comprehensive loss for the year		–	–	–	–	(224,888)	(224,888)
Issue of shares	24	1,282,721	–	–	–	–	1,282,721
Share issue expenses	24	(2,671)	–	–	–	–	(2,671)
Exercise of share options	25	1,815	–	(232)	–	–	1,583
Contribution from shareholders		–	–	–	13,440	–	13,440
At March 31, 2015		2,162,143	58,318	–	13,440	(818,840)	1,415,061

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the previous nominal value of the Company's shares issued in exchange therefor. Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable to shareholders.

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

27. DISPOSAL OF A SUBSIDIARY

On December 11, 2013, the Group entered into an agreement with an independent third party to dispose of its entire equity interest in 21CN Advertising Agency Limited, a then subsidiary of the Group, for a cash consideration of RMB7,500,000 (equivalent to HK$9,375,000). The transaction was completed immediately upon signing of the agreement and no gain or loss is resulted for the year ended March 31, 2014.

The net asset of 21CN Advertising Agency Limited at the date of disposal was as follows:

	HK$'000
Net asset disposed of:	
Available-for-sale investment	9,375
Cash consideration received	9,375
Net asset disposed of	(9,375)
Gain on disposal	–

28. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its offices buildings under operating lease arrangements, which are negotiated for terms ranging from half to three years.

At March 31, 2015, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**8,199**	7,871	**1,968**	2,160
In the second to fifth years, inclusive	**16,870**	16,616	**–**	1,620
	25,069	24,487	**1,968**	3,780

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

29. RELATED PARTY TRANSACTIONS

(I) Transactions with government-related entities in the PRC during the year ended March 31, 2014:

During the year ended March 31, 2014, the Company's then substantial shareholder with significant influence over the Group, CITIC Group Corporation ("CITIC"), is controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

During the year, the Group enters into extensive transactions, mainly sales and purchase with government-related entities on terms comparable to those with other government-related entities. The directors consider that transactions with government-related entities are activities in the ordinary course of its business, and that dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government.

In establishing its pricing strategies and approval process for transactions with government-related entities, the Group does not differentiate whether the counter-party is a government-related entity or not.

Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions constitutes a related party transaction that requires separate disclosure.

(II) Balances with subsidiaries of CITIC as at March 31, 2014:

As at March 31, 2014, the bank balances placed at subsidiaries of CITIC amounted to HK$73,892,000.

(III) Transactions with other related parties:

(a) On September 30, 2014, CITIC 21CN Technology, an indirectly wholly-owned subsidiary of the Company, entered into the Cloud Computing Services Agreement (the "Agreement") with Alibaba Cloud Computing Ltd.* (阿里雲計算有限公司) ("Alibaba Cloud"), a subsidiary of Alibaba Group. Pursuant to the Agreement, Alibaba Cloud will provide certain cloud computing services to the Group on a term of six months, commencing on October 1, 2014. During the year, service fees of HK$2,751,000 was charged by Alibaba Cloud to the Group (2014: Nil). As at March 31, 2015, service fees payable to Alibaba Cloud included in the Group's trade payables amounted to HK$734,000 (2014: Nil).

On April 21, 2015, CITIC 21CN Technology and Alibaba Cloud renewed the Agreement, pursuant to which, Alibaba Cloud will provide certain cloud computing services to the Group for a term of one year, being deemed to have commenced on April 1, 2015 and ending on March 31, 2016. Further details of the transaction were set out in the announcement of the Company dated February 13, 2015.

(b) On August 30, 2013, the director of the Company, Ms. Chen Xiao Ying, provided an interest-free loan of RMB27,537,000 (equivalent to HK$34,421,000) to the Group. The loan was fully repaid by the Group during the year ended March 31, 2014.

The related party transactions in respect of item (a) above for the current year also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

29. RELATED PARTY TRANSACTIONS (continued)

(IV) Compensation of key management personnel of the Group

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**24,630**	5,073
Equity-settled share-based payment expense	**13,440**	–
Pension scheme contributions	**87**	47
Total compensation paid to key management personnel	**38,157**	5,120

Further details of directors' emoluments are included in note 7 to the financial statements.

* For identification purpose only.

30. ARBITRATION AND LITIGATION

On October 29, 2009, the Company received an arbitration notice (the "Arbitration Notice") issued by China International Economic and Trade Arbitration Commission ("CIETAC"). According to the Arbitration Notice, Oracle (China) Software Systems Co., Ltd. (formerly known as Beijing Oracle Software Systems Co., Ltd.) ("Oracle Beijing"), an independent third party, filed an arbitration claim of a dispute (the "Dispute") regarding a payment agreement signed by Oracle Beijing, CITIC 21CN Technology, the Company and Oracle Systems Hong Kong Limited ("Oracle Hong Kong"), an independent third party, on May 30, 2006 (the "Payment Agreement"). The Payment Agreement provided, among other things, the settlement arrangement of licence and service fees in relation to an Oracle licence and service agreement (the "Oracle Licence and Service Agreement"). The reason for the dispute over the Payment Agreement was that the parties to the agreement could not reach a consensus on the execution of the agreement.

During the year ended March 31, 2011, the Company received an arbitral award (the "Arbitral Award") issued by CIETAC and also received a court order (the "Order") from the High Court of the Hong Kong Special Administrative Region ("HKSAR") that granted Oracle Beijing to enforce the Arbitral Award. Details of the Arbitral Award were set out in the Company's announcement dated June 24, 2010. By a judgment made by the Beijing First Intermediate People's Court dated October 25, 2011, the Arbitral Award was set aside and ceased to have legal effect. As a result, the Company received another court order dated December 7, 2011 from the High Court of the HKSAR stating that the Order was discontinued.

On January 24, 2011, CITIC 21CN Technology, being the plaintiff, made an appeal to the Beijing First Intermediate People's Court against Oracle Beijing, being the defendant, for termination of the Oracle Licence and Service Agreement and the Payment Agreement and for compensation from Oracle Beijing. On February 24, 2014, the Beijing First Intermediate People's Court issued a judgment ordering the dissolution of the Oracle Licence and Service Agreement and the Payment Agreement with effect from the judgment date (the "PRC Judgment"). On March 31, 2014, Oracle Beijing appealed to the Beijing High People's Court.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

30. ARBITRATION AND LITIGATION (continued)

On January 18, 2012, Oracle Beijing, being the plaintiff, commenced new legal proceedings in the High Court of the HKSAR against the Company, CITIC 21CN Technology and Oracle Hong Kong, alleging breach of the Oracle Licence and Service Agreement and Payment Agreement and claiming payment in relation to these agreements for the sum of approximately RMB88 million together with interest. On April 5, 2012, the Company and CITIC 21CN Technology took out a Summons to apply for the legal proceedings to be stayed but this was refused by a judgment dated September 18, 2013. The defence of the Company and CITIC 21CN Technology was filed and served on November 6, 2013. The Company and CITIC 21CN Technology have also applied for a stay of the legal proceedings in view of the PRC Judgment, which application has been adjourned for argument.

On January 12, 2015 ("Settlement Date"), the Company entered into a settlement agreement (the "Settlement Agreement") in respect of the above dispute and legal proceedings with Oracle Hong Kong and Oracle Beijing. Under the Settlement Agreement, CITIC 21CN Technology, Oracle Beijing, the Company and Oracle Hong Kong have agreed that as full and final settlement of the above dispute and legal proceedings, among other things, (i) CITIC 21CN Technology paid Oracle Beijing a sum of approximately RMB37.2 million (equivalent to HK$46.4 million) (the "Settlement Payment"); and (ii) Oracle Hong Kong refunded the agreement deposit paid by the Company in 2006 of approximately US$11 million (equivalent to HK$85.3 million) to the Company, and (iii) Oracle Hong Kong paid the accrued interest of approximately US$1.2 million (equivalent to HK$9.4 million), to the Company.

As at the Settlement Date, the aggregate cost of Oracle licence and accrued service fee as recorded by the Group amounted to approximately HK$125 million. The above amount minus the Settlement Payment plus the HK$9.4 million interest income resulted in HK$88 million which was recorded in other income and gains for settlement of litigation and reversal of related accruals.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group – 2015

Financial assets – Loans and receivables

	HK$'000
Trade receivables	1,337
Financial assets included in prepayments, deposits and other receivables	14,467
Cash and cash equivalents	1,522,099
	1,537,903

Financial liabilities – Financial liabilities at amortised cost

	HK$'000
Trade payables	4,566
Financial liabilities included in other payables and accruals	75,464
	80,030

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

31. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group – 2014 (Restated)

Financial assets – Loans and receivables

	HK$'000
Trade receivables	23,725
Financial assets included in prepayments, deposits and other receivables	4,163
Cash and cash equivalents	221,339
	249,227

Financial liabilities – Financial liabilities at amortised cost

	HK$'000
Trade payables	2,742
Financial liabilities included in other payables	57,296
	60,038

	Company	
	2015	2014
	HK$'000	HK$'000
Financial assets – Loans and receivables		
Financial assets included in prepayments, deposits and other receivables	**1,566**	909
Cash and cash equivalents	**1,400,147**	173,229
	1,401,713	174,138
Financial liabilities – Financial liabilities at amortised cost		
Due to subsidiaries	**52,600**	52,356
Financial liabilities included in other payables and accruals	**1,947**	3,771
	54,547	56,127

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due to subsidiaries, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group and the Company did not have any financial assets and liabilities measured at fair value as at March 31, 2015 and March 31, 2014.

The Group and the Company did not have any financial assets or liabilities for which fair value are disclosed as at March 31, 2015 and March 31, 2014.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to concentrations of credit risk.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the Group's cash and bank balances of denominated in currencies other than the functional currencies of the operating units.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of cash and bank balances).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax HK$'000
2015		
If the Hong Kong dollar weakens against the RMB	1	6,332
If the Hong Kong dollar strengthens against the RMB	1	(6,332)
2014		
If the Hong Kong dollar weakens against the RMB	1	335
If the Hong Kong dollar strengthens against the RMB	1	(335)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2015 Within 1 year or on demand HK$'000
Trade payables	4,566
Financial liabilities included in other payables and accruals	75,464
	80,030

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	2014 Within 1 year or on demand HK$'000
Trade payables	2,742
Financial liabilities included in other payables and accruals	57,296
	60,038

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2015 Within 1 year or on demand HK$'000
Due to subsidiaries	**52,600**
Financial liabilities included in other payables	**1,947**
	54,547

	2014 Within 1 year or on demand HK$'000
Due to subsidiaries	52,356
Financial liabilities included in other payables	3,771
	56,127

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2015

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders 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 equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new issues of share.

34. EVENTS AFTER THE REPORTING PERIOD

On 8 April 2015, Ali JK Investment Holdings Limited ("Ali JK"), a wholly owned subsidiary of Alibaba Group and Mr. Chen Wen Xin ("Mr. Chen", together with Ali JK, the "Seller"), brother of Ms. Chen Xiao Ying, executive director and shareholder of the Company, entered into a share purchase agreement (the "Agreement") with the Company, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Beijing Chuanyun Logistics Investment Limited ("Beijing Chuanyun") for a total consideration of HK$19,448,458,000. The consideration will be satisfied by (a) issuing 2,961,291,148 ordinary shares of the Company at a conditional issued price at HK$5.28 per share and redeemable convertible bonds (the "Convertible Bonds") to Ali JK; and (b) issuing 313,038,008 ordinary shares of the Company at a conditional issued price at HK$5.28 per share to Mr. Chen. The aggregate principal amount of the Convertible Bonds will be HK$2,160,000,000. The total number of the ordinary shares of the Company to be issued (assuming the Convertible Bonds are fully converted upon maturity and including all accrued interest) will be 409,090,909 ordinary shares with a conversion price of HK$5.808 per ordinary share. Beijing Chuanyun is primarily engaged in the operation of an online transaction platform to process sales of products by online pharmacies and it is held as to approximately 90.44% and 9.56% by Ali JK and Mr. Chen, respectively. Further details of the acquisition are set out in the announcement of the Company dated April 15, 2015.

This transaction is subject to independent shareholders' approval at a special general meeting to be held after the date of approval of these financial statements.

35. COMPARATIVE AMOUNTS

As further explained in note 2.3 to the financial statements, due to the errors from the revenue recognition in prior year, certain comparative amounts in consolidated financial statements have been restated to conform with the revised accounting treatment and to correct the prior period errors. Certain comparative amounts in consolidated financial statements have also been reclassified to conform with the current year's presentation.

In addition, the comparative statement of financial position of the Company has been reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on June 30, 2015.

FINANCIAL SUMMARY

	Year ended 31st March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Turnover	**37,180**	27,487	15,889	10,992	6,813
Loss before taxation	**(103,972)**	(33,623)	(41,148)	(5,616)	(25,538)
Taxation	**(1,159)**	(960)	(196)	(2,120)	(812)
Loss for the year	**(105,131)**	(34,583)	(41,344)	(7,736)	(26,350)
Attributable to:					
Owners of the Company	**(101,526)**	(39,200)	(41,344)	(7,735)	(26,350)
Non-controlling interests	**(3,605)**	4,617	–	(1)	–
	(105,131)	(34,583)	(41,344)	(7,736)	(26,350)

	As at 31st March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**1,760,900**	494,140	399,728	527,436	508,467
Total liabilities	**(177,283)**	(142,106)	(112,337)	(128,467)	(106,051)
	1,583,617	352,034	287,391	398,969	402,416
Equity attributable to owners of the Company	**1,657,031**	421,843	361,817	398,960	402,406
Non-controlling interests	**(73,414)**	(69,809)	(74,426)	9	10
	1,583,617	352,034	287,391	398,969	402,416