SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 650

ANNUAL REPORT 2016

CONTENTS

	Pages
CORPORATE INFORMATION	2
DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES	3-4
CHAIRMAN'S STATEMENT	5
CORPORATE GOVERNANCE REPORT	6-11
REPORT OF THE DIRECTORS	12-24
INDEPENDENT AUDITOR'S REPORT	25-26
AUDITED FINANCIAL STATEMENTS	
CONSOLIDATED:	
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	27-28
STATEMENT OF FINANCIAL POSITION	29-30
STATEMENT OF CHANGES IN EQUITY	31-32
STATEMENT OF CASH FLOWS	33-34
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	35-92

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CAO Jing *(Executive Chairman)*
ZHANG Shaohua *(Managing Director)*

Non-executive Director

MO Tianquan

Independent Non-executive Directors

YE Jianping
PALASCHUK Derek Myles
CHEN Zhiwu

AUDIT COMMITTEE

PALASCHUK Derek Myles *(Chairman)*
YE Jianping
CHEN Zhiwu

REMUNERATION COMMITTEE

YE Jianping *(Chairman)*
CAO Jing
CHEN Zhiwu

NOMINATION COMMITTEE

YE Jianping *(Chairman)*
PALASCHUK Derek Myles
CAO Jing

COMPANY SECRETARY

WANG Jing

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China Limited, Beihai Branch

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

STOCK CODE

SEHK 650

WEBSITE

http://www.irasia.com/listco/hk/shuncheong

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Ms. Cao Jing — Executive Chairman

Ms. Cao, aged 49, was appointed as Executive Chairman of the Company on 2 May 2006. Prior to that, she had over 10 years of experience in architecting large-scale enterprise software, project management and leading development in various companies in the United States of America ("USA"). Ms. Cao holds a Bachelor's Degree in Automation Engineering from Tsinghua University, the People's Republic of China (the "PRC"), and a Master's Degree in Electrical Engineering from Wright State University, the USA. She is also a director of Upsky Enterprises Limited and the spouse of Mr. Mo Tianquan.

Mr. Zhang Shaohua — Managing Director

Mr. Zhang, aged 53, was appointed as an independent non-executive director of the Company on 16 September 2006. On 6 March 2008, Mr. Zhang was re-designated as the executive director and appointed as the managing director of the Company. He is an entrepreneur with over 20 years of experience in starting up, developing and managing businesses in various industry sectors. He is the founder of and has been the managing director of Beijing Beyondal Electric Co. Ltd. since 2003, a company which has a large market share in setting up internet data centre in the PRC. He has worked as the General Manager (China) for GE Digital Energy and in other companies in the areas of power quality and precision environmental control industry for many years. He holds a Bachelor's Degree in Science from the South China University of Technology and a Master's Degree in Business Administration from the Capital University of Economics and Business, the PRC.

NON-EXECUTIVE DIRECTOR

Mr. Mo Tianquan

Mr. Mo, aged 53, was appointed as the non-executive director of the Company on 2 May 2006. He has over 14 years of experience in the provision of on-line information and analysis on the trading, leasing, financing and valuation of real estate properties. He holds a Bachelor's Degree in Mechanical Engineering from South China University of Technology, a Master's Degree in Engineering from Tsinghua University, the PRC and a Degree of Master of Arts from Indiana University, the USA. He is a director and the executive chairman of SouFun Holdings Limited, a company whose shares are listed on the New York Stock Exchange conducting real estate internet business in the PRC. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of Upsky Enterprises Limited, the ultimate holding company of the Company holding approximately 50.02% of the issued share capital of the Company as at the date of this annual report. He is the spouse of Ms. Cao Jing.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. Ye Jianping

Prof. Ye, aged 55, was appointed as an independent non-executive director of the Company on 29 July 2006. He has been teaching in the Renmin University of China since 1985 and is the professor of the Department of Land and Real Estate Management of the Renmin University of China. He is also a council member of the China Land Science Society and the vice chairman of the China Institute of Real Estate Appraisers and Agents. He holds a Bachelor's Degree in Engineering from the Wuhan University, a Master's Degree in Economics and Doctorate in Management from the Renmin University of China. He is also a fellow member of The Royal Institute of Chartered Surveyors, a China Real Estate Appraiser and a China Land Appraiser.

Mr. Palaschuk Derek Myles

Mr. Palaschuk, aged 53, was appointed as an independent non-executive director of the Company on 25 February 2008. He was chief financial officer of Longtop Financial Technologies, a New York Stock Exchange listed company from September 2006 to May 2011. He was previously the chief financial officer of eLong Inc, a China-based Nasdaq-listed company, from April 2004 until July 2006. Prior to this, he worked with Sohu.com, a China-based Nasdaq-listed company, from July 2000 to March 2004 in various financial positions including chief financial officer. He also worked as an audit manager with PricewaterhouseCoopers in Hong Kong and Beijing. He holds a Bachelor of Commerce degree in accounting from the University of Saskatchewan, and an LLB from the University of British Columbia in Canada. He is also a Canadian Chartered Accountant.

Mr. Chen Zhiwu

Mr. Chen, aged 54, was appointed as an independent non-executive Director on 31 July 2015. He is a Professor of Finance and Economics at the School of Management of Yale University, a Special-Term Visiting Professor at School of Economics at Peking University, and Visiting Professor and HKU-AXA Senior Fellow on China's Market Reform at The University of Hong Kong. Prof. Chen started his career by publishing research in economics and finance journals on topics related to financial markets and theories of asset pricing. In the early 2000s, Prof. Chen began to expand his research beyond mature markets by investigating market development. He is an independent non-executive director of PetroChina Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange), Bank of Communications Co., Ltd. (a company listed on the Stock Exchange and the Shanghai Stock Exchange), and Noah Holdings Limited (a company listed on the New York Stock Exchange).

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

1. Discontinued operation

Aykens Holdings Limited, Hopland Enterprises Limited and their respective subsidiaries (collectively referred to as the "Divestment Group") were, together, mainly engaged in the hotel and restaurant operations of the Guangxi Wharton International Hotel Limited* (廣西沃頓國際大酒店有限公司) (the "Nanning Hotel") located in Guangxi Province, the PRC. For the year ended 31 March 2016, whilst the average daily rate of the Nanning Hotel was in general still lower than the levels in last financial year, the occupancy rate slightly increased by 3% to 59% (2015: 56%). The net income of the Divestment Group improved from a net loss to a net profit of HK$7.2 million (2015: net loss of HK$152.4 million) as a result of (i) the decrease in cost of sales due to keen competition; (ii) the cease of depreciation on assets of the Divestment Group since the date of the Divestment Agreement; and (iii) an impairment were incurred during year 2015.

2. Continuing operation

The continuing operation is investment holding and does not have any business in substance. During the period under review, the Divestment Group is still part of the Group's business. The Divestment is conditional upon the fulfillment or waiver (if applicable) of many conditions precedent and may or may not be completed as contemplated. The higher amount in the net losses of the Group in the year ended 31 March 2015 was primarily due to a finance cost of HK$68.9 million incurred as a result of the modification of terms of the convertible bonds.

BUSINESS PROSPECTS

The Company's management believes that due to the slowdown of the overall national economic growth and the further implementation of the anti-corruption campaign, a much smaller revenue increase or even decrease in the hotel industry was observed in 2014 and is anticipated to continue. It is also stated that the management team will put in additional efforts to alleviate the negative impacts. According to the Company's management, the Divestment Group has faced and is expected to continue to face in the foreseeable future considerable headwind as regards to its hotel business, given the unstable economic outlook in the PRC and government spending policies, as well as challenges relating to increasing operational costs, leading to uncertainty as to future performance of the Divestment Group. On 22 June 2015, the Company entered into various agreements (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) in respect of the Proposed Transactions (as defined in note 39 to the consolidated financial statements), including the disposal by the Company of its entire equity interests in the Divestment Group. Upon completion of the Proposed Transactions, the Group will no longer be engaged in the hotel and restaurant business carried on through the Divestment Group, and will be principally engaged in a new business, namely the exploration, development and production of crude oil carried out by the PRC Target. Further details of the Proposed Transactions are set out in the announcement dated 28 October 2015 jointly published by the Company and Titan Gas Technology Investment Limited and in the Company's announcement dated 20 November 2015 and the circular of the Company dated 29 June 2016.

Cao Jing
Executive Chairman

Hong Kong
30 June 2016

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders. The monitoring and assessment of certain governance matters are allocated to three committees: the Audit Committee, the Remuneration Committee and the Nomination Committee which operate under the defined terms of reference and are required to report to the board of directors (the "Board") on a regular basis.

ABILITY TO CONTINUE AS A GOING CONCERN

The Group incurred a consolidated net loss of approximately HK$3,778,000 for the year ended 31 March 2016; and the Group had recorded net current liabilities and net liabilities of approximately HK$2,774,000 and HK$112,547,000 as at 31 March 2016 respectively (see details in note 2 to the consolidated financial statements). However, the directors of the Company believed the Group has adequate cash flows to maintain the Group's operation for the following reasons:

(i) The Group's principal banker will continue to provide financing to the Group under the Group's existing available facilities; and

(ii) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2016, except for code provisions A.1.1, A.4.1, A.4.2, B.1.3 and E.1.2, details of which are discussed in this report.

BOARD OF DIRECTORS

Composition and Role

The Board comprises:

Executive Directors	—	Ms. Cao Jing (Executive Chairman)
	—	Mr. Zhang Shaohua (Managing Director)
Non-executive Director	—	Mr. Mo Tianquan
Independent Non-executive Directors	—	Prof. Ye Jianping
	—	Mr. Palaschuk Derek Myles
	—	Mr. Chen Zhiwu

The Board comprises two executive directors, one non-executive director and three independent non-executive directors. The biographical details of the directors are set out in the section "Directors' and Senior Management's Biographies" on pages 3 to 4 of the annual report.

All directors are updated on governance and regulatory matters. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its directors.

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors and the management. The directors of the Company during the year and up to the date of this annual report are set out in the section "Directors" on page 14 of the annual report.

Except for Mr. Mo Tianquan and Ms. Cao Jing who are spouses, no director has any relationship (including financial, business, family or other material/relevant relationship) with any other directors of the Company.

BOARD OF DIRECTORS (continued)

The Board held four board meetings during the year. Due notice and board papers were given to all directors prior to the meeting in accordance with the Bye-laws of the Company. The attendance of each director is set out as follows:

Name of director	Number of meetings attended
Executive Directors	
Ms. Cao Jing *(Executive Chairman)*	4/4
Mr. Zhang Shaohua *(Managing Director)*	4/4
Non-executive Director	
Mr. Mo Tianquan	4/4
Independent Non-executive Directors	
Prof. Ye Jianping	4/4
Mr. Palaschuk Derek Myles	4/4
Mr. Chen Zhiwu	2/4

CG Code provision A.1.1 stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year, four board meetings were held to review and discuss the annual and interim results together with other corporate matters and transactions happened during the year. Although the board meetings held during the year were not convened on a quarterly basis, the directors considered that sufficient meetings had been held to cover all aspects of the Company's business.

Draft minutes of board meetings are circulated to directors for comments and the signed minutes are kept by the company secretary. All directors can access to board papers and related materials.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company was Ms. Cao Jing and the Company did not have the position of Chief Executive Officer ("CEO"). The functions of CEO were performed by the Managing Director. The Managing Director of the Company was Mr. Zhang Shaohua. The roles of the Chairman and Managing Director were segregated and were not exercised by the same individual.

The executive directors and the management team of the Company, who are all experienced in hotel management and building related maintenance services, implement the decisions from the Board and make management proposals for the Board's consideration. The team assumes full accountability to the Board for all operations of the Group.

NON-EXECUTIVE DIRECTORS

There are currently four non-executive directors of whom three are independent. The non-executive directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflicts of interest and serving on Board committees. All non-executive directors have made various contributions to the effective direction of the company.

RE-ELECTION OF DIRECTORS

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election and that code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

RE-ELECTION OF DIRECTORS (continued)

All the existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that the Executive Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considered that the continuity of office of the Executive Chairman and the Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. As a result, the Board concurred that the Executive Chairman and the Managing Director need not be subject to retirement by rotation.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors have participated 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.

REMUNERATION COMMITTEE

As at the date of this report, the remuneration committee of the Company (the "Remuneration Committee") comprises three directors, of which Mr. Ye Jianping (Chairman) and Professor Chen Zhiwu are independent non-executive directors and Ms. Cao Jing is an executive director. The Remuneration Committee is responsible for reviewing the Company's policy and structure for the remuneration of the executive directors and senior management and giving advices on the establishment of a formal and transparent procedure for developing policy on such remuneration.

During the year, the Remuneration Committee held two meetings to review and discuss matters related to directors' fee and remuneration.

CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference for the Remuneration Committee on 21 December 2005, which were subsequently amended. Pursuant to the terms of reference for the Remuneration Committee, it is stipulated that the Remuneration Committee has the duty to "review" as opposed to "determine" the specific remuneration packages of executive directors and senior management.

The remuneration of the executive directors and senior management of the Company is reviewed by the Remuneration Committee and recommended to the Board and the chairman of the Board respectively for determination, taking into account of market pay and individual performance. In the opinion of the directors, the current practice serves the same purpose as laid down by the CG Code.

Details of remuneration packages of the directors during the year are set out under the heading "Directors' and Chief Executive's and Employees' Emoluments" on pages 70 to 71 of this annual report. Two committee meetings were held during the year and the attendance of each member is shown as follows:

Name of member	Number of meetings attended
Prof. Ye Jianping *(Chairman)*	2/2
Ms. Cao Jing	2/2

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Professor Chen Zhiwu.

The terms of reference for the Audit Committee have been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Board considers that each of the Audit Committee members has broad commercial experience and that there is an appropriate balance of experiences and skills covering business, accounting and financial management disciplines on the Audit Committee. The composition and the membership of the Audit Committee comply with the requirement under Rule 3.21 of the Listing Rules.

During the year ended 31 March 2016, the Audit Committee reviewed the accounting principles and policies adopted by the Company and discussed with management the financial reporting matters, internal controls, the unaudited interim results for the six months ended 30 September 2015 and the annual results for the year ended 31 March 2015. The financial statements of the Company and of the Group for the year ended 31 March 2016 including the disclaimer of opinion in the auditor's report had been reviewed by the Audit Committee.

The Audit Committee met three times during the year and the attendance of each member is shown as below:

Name of member	Number of meetings attended
Mr. Palaschuk Derek Myles *(Chairman)*	3/3
Prof. Ye Jianping	3/3
Prof. Chen Zhiwu	2/3

Draft minutes of the Audit Committee meetings are circulated to members of the Audit Committee for comments and the signed minutes are kept by the company secretary.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises three directors, of which Professor Ye Jianping (Chairman) and Mr. Palaschuk Derek Myles are independent non-executive directors and Ms. Cao Jing is an executive director. The Nomination Committee shall meet when necessary to consider the appointment of directors.

Pursuant to the terms of reference, the Nomination Committee has the power from time to time and at any time to nominate any person as a director to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new directors, the Nomination Committee has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

The Nomination Committee met two times during the year to consider the re-election of directors at the Company's annual general meeting and the appointment of a director. The attendance of the Nomination Committee meetings is shown below:

Name of member	Number of meetings attended
Prof. Ye Jianping *(Chairman)*	2/2
Ms. Cao Jing	2/2
Mr. Palaschuk Derek Myles	2/2

AUDITORS' REMUNERATION

For the year ended 31 March 2016, services provided to the Group by SHINEWING, the existing auditors of the Company, and the respective fees paid and payable were:

Services rendered	**Fees** HK$'000
Audit services	700
Non audit services - Interim review	135
Total	835

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining the Group's systems of risk management and internal control and reviewing their effectiveness. The systems of risk management and internal control systems of the Group are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The Audit Committee has the final authority to review and approve the annual audit plan and all major changes to the plan. In addition, special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time.

In respect of the year ended 31 March 2016, the Board and the Audit Committee conducted annual review of the effectiveness of the risk management and the internal control system of the Group covering the finance, operational and compliance controls and risk management functions. Based on the review, the Board considered that the Group's risk management and internal control systems were effective and adequate for its present requirements.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, Messrs. SHINEWING, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 25 to 26 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the 2015 annual general meeting due to other business engagement. The secretary of the Company had chaired the 2015 annual general meeting and answered questions from the shareholders.

The Company communicates with the shareholders of the Company through the publication of annual and interim reports, press announcements and circulars. The annual general meeting also provides a useful and convenient forum for shareholders to exchange views with the Board, and with each other. At the annual general meeting, the chairperson of the annual general meeting and chairman/member/duly appointed delegate of the Audit Committee, the Remuneration Committee and the Nomination Committee are available to answer the questions raised by shareholders.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2016. And there is no significant change in the Company's constitutional documents during the year.

An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at an annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the Shareholder(s) concern and deposited at the Company's registered office at Clarendon House, Church Street, Hamilton, Bermuda HM11 and its principal office at Suite 2302, Wing On Centre,111 Connaught Road, Central, Hong Kong, for the attention of the Company Secretary of the Company, not less than six weeks before an annual general meeting 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.

SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

According to the Bye-laws of the Company and the Companies Act 1981 of Bermuda, a special general meeting shall be convened by the Board on the requisition of one or more Shareholders' holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company and deposited at the registered office of the Company. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) (or any of them representing more than one half of the total voting rights held by all of the requisitionists) may do so in the same manner (as nearly as possible). Any meeting so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition. All reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

VOTING BY POLL

All resolutions put forward at shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each shareholder's meeting.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of hotel and restaurant operations in the People's Republic of China. Details of the principal subsidiaries and their activities are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 27 to 92.

The directors do not recommend the payment of any dividend in respect of the year (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group's cash and bank balances are mostly denominated in Hong Kong dollars and Renminbi. As at 31 March 2016, the Group had unpledged cash and bank deposit balances of approximately HK$12.4 million, including the cash & bank balance classified as held for sale (31 March 2015: HK$15.2 million). As at 31 March 2016, except for the outstanding interest-bearing bank borrowings of approximately HK$150.3 million classified as held for sale, the Group had no outstanding interest-bearing bank borrowings (31 March 2015: HK$197.9 million). The gearing ratio of the Group which represented the total interest-bearing debt to the total assets was 26% (31 March 2015: 99%).

Treasury and funding policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollars and Renminbi. The Group's bank borrowing is on a floating rate at the prime lending rate of the People's Bank of China. Taking into account of the expected cash flows of the Group's operations and cash and investment in marketable securities currently in hand, the Group expects that it will have sufficient working capital for its financial liabilities as they fall due. As the main operation of the Group is in the PRC, the Group has minimal exposure to foreign exchange fluctuation in Renminbi.

Pledge of assets

As at 31 March 2016, the hotel properties held with an aggregate carrying amount of approximately HK$253.3 million (31 March 2015: HK$272.6 million) were mortgaged to a bank to secure banking facilities granted to the Group.

Contingent liabilities

The Board considered that the Group had no material contingent liabilities as at 31 March 2016 (31 March 2015: nil).

Employees and remuneration policy

The Group employed 516 employees as at 31 March 2016 (31 March 2015: 496). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefit scheme, medical insurance and educational subsidies to all eligible staff. Detailed retirement benefit plans are set out in note 35 to the consolidated financial statements. The Group's employer contributions vest fully with the employees when contributed into the relevant retirement benefit scheme.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate for consistent presentation, is set out below:

RESULTS

	Year ended 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATION					
REVENUE					
Loss for the year from a continuing operation	**(10,930)**	(82,568)	–	–	–
DISCONTINUED OPERATION					
REVENUE	**138,293**	143,695	121,384	157,908	163,345
Profit/(loss) for the year from a discontinued operation	**7,152**	(152,366)	(197,773)	(25,249)	(9,429)
LOSS FOR THE YEAR	**(3,778)**	(234,934)	(197,773)	(25,249)	(9,429)
Loss attributable to:					
Owners of the Company	**(3,661)**	(234,020)	(197,298)	(24,667)	(9,067)
Non-controlling interests	**(117)**	(914)	(475)	(582)	(362)
Total loss for the year	**(3,778)**	(234,934)	(197,773)	(25,249)	(9,424)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**424,182**	454,252	643,581	643,076	698,445
TOTAL LIABILITIES	**(536,729)**	(559,279)	(635,228)	(436,265)	(479,708)
NON-CONTROLLING INTERESTS	**(6,908)**	(7,383)	(8,199)	(8,683)	(9,109)
(Capital deficiency) equity attributable to owner of the company	**(119,455)**	(112,410)	154	198,128	209,628

The information set out above does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital during the year are set out in note 31 to the consolidated financial statements. Details of the movements in the convertible bonds of the Company during the year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda the Company has no reserve available for distribution to shareholders as at 31 March 2016.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, both the sales to the Group's five largest customers and the purchases from the Group's five largest suppliers accounted for less than 30% of the total sales and purchases for the year respectively.

DIRECTORS

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

Executive directors:

Cao Jing
Zhang Shaohua

Non-executive director:

Mo Tianquan

Independent non-executive directors:

Ye Jianping
Palaschuk Derek Myles
Chen Zhiwu

In accordance with the Company's Bye-laws, Prof. Chen Zhiwu will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

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 3 to 4 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 or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The Company's remuneration policy is built upon the principle of providing an equitable, motivating and market-competitive remuneration package that can stimulate and drive staff at all levels to work towards achieving the Group's strategic objectives.

The remuneration of the directors of the Company is reviewed by the Remuneration Committee, having regard to directors' duties, responsibilities, the Group's operating results and comparable market statistics.

Details of the directors' remuneration and the five highest paid individuals in the Group are set out in note 15 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 to the consolidated financial statements and in the section headed "Connected transactions" below, no director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 March 2016 and 2015. Save for transactions under (a), (b)(i) and b(ii) below which constituted non-exempt connected transactions under Chapter 14A of the Listing Rules (which the Company has complied with the related Listing Rules requirements), the other related party transactions below do not constitute non-exempt connected transactions under Chapter 14A of the Listing Rules.

(a) Related parties' transactions

Name of related party	Relationship	Nature of transactions	2016 HK$'000	2015 HK$'000
Tanisca	Related parties in which certain directors of the Company have beneficial interests	Interest paid on the convertible bond	**1,200**	1,200

Note: Interest expense on the convertible bond was paid to Tanisca at 1% per annum. Tanisca is wholly owned by Mr. Mo, who is a non-executive director and is also the ultimate beneficial controlling shareholder of the Company as at 31 March 2016. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and the issue of the bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the Bond were disclosed in note 29.Interest expense on the convertible bond was paid and payable to Tanisca, the holder of the convertible bond, at 1% per annum.

CONNECTED TRANSACTIONS (continued)

(b) Other arrangements of related parties' transactions

(i) On 30 September 2011 (the US time), the Group acquired in aggregate 25,000 shares in SouFun Holdings Limited ("SouFun") at the aggregate consideration of US$284,410 (approximately equivalent to HK$2,218,000) through various on-market transactions on the New York Stock Exchange. The equity interests acquired represented approximately 0.03% of the total issued share capital of SouFun as at the date of acquisition.

As Mr. Mo Tianquan is the substantial shareholder and director of SouFun, beneficially holding approximately 32.4% in the total issued share capital of SouFun, and is also a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, SouFun is regarded as a connected person of the Company and hence the acquisition is considered as a connected transaction for the Company under Chapter 14A of the Listing Rules. And the Company confirms it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Group's investment in SouFun is accounted for as an equity investment at fair value through profit or loss, further details of which are included in note 23 to the consolidated financial statements.

(ii) As detailed in note 19 to the consolidated financial statements, the Group had an investment in 廣西普凱興業酒店有限公司 ("興業酒店") during the two years ended 31 March 2016, Mr. Mo Tianquan, the non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, also is a substantial shareholder and beneficial owner of 北京普凱世傑投資諮詢有限公司, the joint venture partner of 興業酒店.

(iii) Corporate guarantee was provided by the ultimate holding company of the Company to support the Group financially and operationally as a going concern whom agree to provide additional funding of maximum RMB65,000,000 (approximately HK$81,185,000) which is non-repayable within one year to the Group to meet in full its financial obligation as and when they fall due within the next twelve months from the year ended 31 March 2013.

(c) Compensation of key management personnel

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

	2016	2015
	HK$'000	HK$'000
Short-term benefits	**1,112**	1,134

The remunerations of directors and key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2016, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company and 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(A) Long positions in ordinary shares of the Company ("Ordinary Shares"):

Name of director	Nature of interest	Number of Ordinary Shares beneficially owned	Percentage of the company's issued share capital
Mo Tianquan	Corporate	173,728,685 *(Note 1)*	50.02
Cao Jing	Family	173,728,685 *(Note 2)*	50.02

Note 1: These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Note 2: Ms. Cao jing is interested in the shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo Tianquan.

(B) Long positions in convertible bonds of the Company ("Convertible Bonds"):

Name of director	Nature of interest	Number of underlying shares
Mo Tianquan	Corporate	284,265,223 *(Note 1)*
Cao Jing	Family	284,265,223 *(Note 2)*

Note 1: The underlying shares represented the new shares to be issued upon full conversion of HK$120,000,000 convertible bonds held by Tanisca Investments Limited, a company wholly-owned by Mr. Mo Tianquan, at a conversion price of HK$0.3695 per share issued by the Company on 28 March 2008.

Note 2: Ms. Cao Jing is interested in the underlying shares held by Tanisca Investments Limited by virtue of her marital relationship with Mr. Mo Tianquan.

Save as disclosed above, as at 31 March 2016, none of the directors of the Company 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 Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' interests and short positions in shares and underlying shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2016, the following interests in the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Upsky Enterprises Limited *(Note 3)*	Beneficial owner	173,728,685 (L) 138,975,276 (S)	50.02% 40.01%
Tanisca Investments Limited *(Note 3)*	Beneficial owner	284,265,223 (L) *(Note 2)* 221,565,700 (S) *(Note 2)*	81.84% 63.79%
Aquarius Growth Investment Limited *(Note 5)*	Beneficial owner	443,369,176 (L) *(Note 4)*	127.65%
ZHAO Ming *(Note 5)*	Interest of a controlled corporation	443,369,176 (L) *(Note 4)*	127.65%
Grand Empire Global Limited *(Note 6)*	Beneficial owner	166,766,230 (L) *(Note 6)*	48.01%
Rexwell Holdings Limited *(Note 6)*	Interest of a controlled corporation	166,766,230 (L) *(Note 6)*	48.01%
ZHANG Lu *(Note 6)*	Interest of controlled corporations	166,766,230 (L) *(Note 6)*	48.01%
League Way Ltd. *(Note 7)*	Beneficial owner	373,357,228 (L) *(Note 7)*	107.49%

Name	Capacity/nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
SHI Jianji *(Note 7)*	Interest of a controlled corporation	373,357,228 (L) *(Note 7)*	107.49%
New Fast Investments Limited *(Note 8)*	Beneficial owner	241,437,675 (L) *(Note 8)*	69.51%
Gate Success Investments Limited *(Note 8)*	Interest of a controlled corporation	241,437,675 (L) *(Note 8)*	69.51%
YU Nan *(Note 8)*	Interest of controlled corporations	241,437,675 (L) *(Note 8)*	69.51%
Real Smart Holdings Limited *(Note 9)*	Beneficial owner	166,766,230 (L) *(Note 9)*	48.01%
True Vision Global Limited *(Note 9)*	Interest of a controlled corporation	166,766,230 (L) *(Note 9)*	48.01%
XU Sa *(Note 9)*	Interest of controlled corporations	166,766,230 (L) *(Note 9)*	48.01%
Sonic Gain Limited *(Note 10)*	Beneficial owner	324,820,786 (L) *(Note 10)*	93.52%
KO Chun Shun, Johnson *(Note 10)*	Interest of a controlled corporation	324,820,786 (L) *(Note 10)*	93.52%
True Success Global Limited *(Note 11)*	Beneficial owner	250,149,340 (L) *(Note 11)*	72.02%
KO Wing Yan, Samantha *(Note 11)*	Interest of a controlled corporation	250,149,340 (L) *(Note 11)*	72.02%
上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*) *(Note 12)*	Beneficial owner	140,382,318 (L)	40.42%

Name	Capacity/nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
華寶•境外市場投資2 號系列20–6期 QDII單一資金信托 (Hwabao • Overseas Investment Series 2 No 20–6 QDII Single Money Trust*) *(Note 12)*	Beneficiary of a trust	93,588,212 (L)	26.95%
華寶•境外市場投資2號系列20–7期 QDII單 一資金信托 (Hwabao • Overseas Investment Series 2 No 20–7 QDII Single Money Trust*) *(Note 12)*	Beneficiary of a trust	46,794,106 (L)	13.47%
華寶信托有限責任公司 (Hwabao Trust Co., Ltd.) *(Note 12)*	Trustee of a trust	140,382,318 (L)	40.42%
寶鋼集團有限公司 (Baosteel Group Corporation*) *(Note 12)*	Interest of a controlled corporation	140,382,318 (L)	40.42%
WANG Ruyuan *(Note 12)*	Interest of a controlled corporation	140,382,318 (L)	40.42%
Titan Gas Technology Investment Limited *(Note 13)*	Beneficial owner	2,498,210,870 (L)	719.27%
Titan Gas Technology Holdings Limited *(Note 13)*	Interest of a controlled corporation	2,498,210,870 (L)	719.27%
Standard Gas Capital Limited *(Note 13)*	Interest of controlled corporations	2,498,210,870 (L)	719.27%
金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.) *(Note 13)*	Interest of controlled corporations	2,498,210,870 (L)	719.27%
WANG Jingbo	Interest of controlled corporations	2,941,580,046 (L) *(Notes 13, 14)*	816.82%
SHONG Hugo	Interest of controlled corporations	2,498,210,870 (L) *(Notes 13, 15)*	719.27%

Name	Capacity/nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
LIN Dongliang	Beneficial owner	12,910,000 (L)	3.72%
	Interest of controlled corporations	2,498,210,870 (L) *(Notes 13, 16)*	719.27%
IDG-Accel China Capital GP II Associates Ltd. *(Note 19)*	Interest of controlled corporations	2,498,210,870 (L) *(Notes 13, 17)*	719.27%
IDG-Accel China Capital II Associates L.P. *(Note 20)*	Interest of controlled corporations	2,498,210,870 (L) *(Notes 13, 19)*	719.27%
IDG-Accel China Capital II L.P. *(Note 20)*	Interest of controlled corporations	2,498,210,870 (L) *(Notes 13, 19)*	719.27%
Ho Chi Sing *(Note 19)*	Interest of controlled corporations	2,509,710,870 (L) *(Notes 13, 17, 19)*	722.58%
ZHOU Quan *(Note 19)*	Interest of a controlled corporation	2,509,710,870 (L) *(Notes 13, 17, 19)*	722.58%
LUO Yuping	Interest of controlled corporations	2,498,210,870 (L) *(Notes 13, 14, 20)*	719.27%
ZHANG Chunhua	Interest of controlled corporations	127,681,952 (L) *(Note 21)*	36.76%
Rich Harvest Worldwide Ltd.	Beneficial owner	127,681,952 (L) *(Note 21)*	36.76%

Notes:

1. The letter "L" represents the entity's/individual's long position in the shares and the letter "S" represents the entity's/individual's short positions in the shares.

2. These interests and short position in the underlying Ordinary Shares represent the derivative interests under the Convertible Bonds.

3. Mr. Mo has control over 100% interests of Tanisca Investments Limited and Upsky Enterprises Limited. Under the SFO, Mr. Mo is deemed to have interest in the shares in which Tanisca Investments Limited and Upsky Enterprises Limited has interest.

4. Aquarius Growth Investment Limited ("Aquarius Investment") has interests in respect of 443,369,176 underlying Ordinary Shares through the derivative interests under 443,369,176 restricted voting non-redeemable convertible preferred shares of HK$0.01 each in the share capital of the Company ("Preferred Shares").

5. Aquarius Investment is controlled as to 91% by Zhao Ming and as to 9% by Mr. Wang Jingbo ("Mr. Wang"). Under the SFO, Zhao Ming is deemed to have interest in the shares in which Aquarius Investment has interest.

6. Grand Empire Global Limited is controlled as to 100% by Rexwell Holdings Limited and Rexwell Holdings Limited is controlled as to 100% by Zhang Lu. Under the SFO, Zhang Lu and Rexwell Holdings Limited are deemed to have interest in the shares in which Grand Empire Global Limited has interest. It has interest in 116,736,360 underlying Ordinary Shares through derivative interests in 116,736,360 Preferred Shares.

7. League Way Ltd. is controlled as to 70% by Shi Jianji. Under the SFO, Shi Jianji is deemed to have interest in the shares in which League Way Ltd. has interest. It has interest in 373,357,228 underlying Ordinary Shares through derivative interests in a convertible promissory note to be issued by the Company.

8. New Fast Investments Limited is controlled as to 100% by Gate Success Investments Limited. Gate Success Investments Limited is controlled as to 100% by Yu Nan. Under the SFO, Yu Nan and Gate Success Investments Limited are deemed to have interest in the shares in which New Fast Investments Limited has interest. It has interest in 116,736,360 underlying Ordinary Shares through derivative interests in 116,736,360 Preferred Shares.

9. Real Smart Holdings Limited is controlled as to 100% by True Vision Global Limited. True Vision Global Limited is controlled as to 100% by Xu Sa. Under the SFO, Xu Sa and True Vision Global Limited are deemed to have interest in the shares in which Real Smart Holdings Limited has interest. It has interest in 116,736,360 underlying Ordinary Shares through derivative interests in 116,736,360 Preferred Shares.

10. Sonic Gain Limited is owned as to 100% by Ko Chun Shun, Johnson. Under the SFO, Ko Chun Shun, Johnson is deemed to have interest in the shares in which Sonic Gain Limited has interest. It has interest in 175,104,540 underlying Ordinary Shares through derivative interests in 175,104,540 Preferred Shares.

11. True Success Global Limited is owned as to 100% by Ko Wing Yan, Samantha. Under the SFO, Ko Wing Yan, Samantha is deemed to have interest in the shares in which True Success Global Limited has interest. It has interest in 175,104,540 underlying Ordinary Shares through derivative interests in 175,104,540 Preferred Shares.

12. 上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*) has beneficial interest in an aggregate of 140,382,318 Ordinary Shares through 華寶•境外市場投資2號系列20-6期QDII單一 資金信托 (Hwabao • Overseas Investment Series 2 No 20-6 QDII Single Money Trust*) and 華寶•境外市場投資2號系列20-7期QDII單一資金信托 (Hwabao • Overseas Investment Series 2 No 20–7 QDII Single Money Trust*). Under the SFO, 華寶信托有限責任公司 (Hwabao Trust Co., Ltd.), as the trustee of the aforesaid trusts, is deemed to have interest in an aggregate of 140,382,318 Ordinary Shares in which the aforesaid trusts have interest; Wang Ruyuan, who has control of 66% of the interests of 上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*), is deemed to have interest in 140,382,318 Ordinary Shares in which 上海宏流投資管理有 限公司 (Shanghai Trend Capital Co., Ltd.*) has beneficial interest; 寶鋼集團有限公司 (Baosteel Group Corporation*), which has control over 98% of the interests of 華寶信托有限責任公司 (Hwabao Trust Co., Ltd.), is deemed to have interest in 140,382,318 Ordinary Shares in which 華寶信托有限責任公司 (Hwabao Trust Co., Ltd.) has interest in the capacity of a trustee.

13. Titan Gas Technology Investment Limited (the "Offeror") is controlled as to 100% by Titan Gas Technology Holdings Limited ("Titan Gas Holdings"), which is in turn controlled as to 35.15% by Standard Gas Capital Limited ("Standard Gas"), 49.14% by IDG – Accel China Capital II L.P. and IDG – Accel China Capital II Investors L.P. (the "IDG Funds"), 8.05% by Mr. Wang and 6.87% by Kingsbury International Holdings Co., Ltd. ("Kingsbury"). Under the SFO, Titan Gas Holdings, Standard Gas, IDG Funds are deemed to have interest in 2,498,210,870 Ordinary Shares in which the Offeror has beneficial interest. Interest in such Ordinary Shares include interest in 1,673,569,292 underlying Ordinary Shares through derivative interests in the Convertible Bonds in the principal amount of HK$96,832,526 and the Preferred Shares that the Offeror has agreed to subscribe for.

14. Standard Gas, Mr. Wang and Kingsbury have entered into an acting in concert arrangement for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings pursuant to which, Standard Gas, Kingsbury and Mr. Wang agree to align with each other in respect of the voting of major actions in respect of Titan Gas Holdings' business and each of Standard Gas, Mr. Wang and Kingsbury will consult with each other and reach agreement on material matters of Titan Gas Holdings before it/he exercises its/his respective voting rights in Titan Gas Holdings, provided that Mr. Wang will have a casting vote and will have the final decision making power in the event that a consensus cannot be reached among Standard Gas, Mr. Wang and Kingsbury. Aquarius Investment is accustomed to act in accordance with the instructions of, among others, Mr. Wang. Under the SFO, Mr. Wang is deemed to have interests in the shares in which the Offeror or Aquarius Investment has interest on the basis set out above. The Ordinary Shares and underlying Ordinary Shares in which Mr. Wang has interest comprise 2,941,580,046 Ordinary Shares in which the Offeror has beneficial interest (including derivative interest in 1,673,569,292 underlying Ordinary Shares) and 443,369,176 underlying Ordinary shares in which Aquarius Investment has beneficial interest.

15. All the issued voting shares in Standard Gas are held by Blazing Success Limited ("Blazing Success") which in turn is wholly owned by Lee Khay Kok. Blazing Success has granted a power of attorney to the board of directors of Standard Gas which comprise Mr. Wang, Lin Dongliang and Shong Hugo. Under the SFO, Shong Hugo is deemed to have interest in the shares in which Standard Gas has interest.

16. All the issued voting shares in Standard Gas are held by Blazing Success which in turn is wholly owned by Lee Khay Kok. Blazing Success has granted a power of attorney to the board of directors of Standard Gas which comprise Mr. Wang, Lin Dongliang and Shong Hugo. Under the SFO, Lin Dongliang is deemed to have interest in the shares in which Standard Gas has interest.

17. The IDG Funds is under the control of its ultimate general partner, IDG-Accel Ultimate GP. Under the SFO, IDG-Accel Ultimate GP is deemed to have interest in the shares in which the IDG Funds have interest.

18. IDG-Accel China Capital II Associates L.P. has control over IDG-Accel Capital II. Under the SFO, IDG-Accel China Capital II Associates L.P. is deemed to have interest in the shares in which IDG-Accel Capital II has beneficial interest.

19. Ho Chi Shing and Zhou Quan are directors of IDG-Accel Ultimate GP and are responsible for decision-making matters relating to the IDG Funds and their investments, and hence controls the exercise of voting rights to the shares that the IDG Funds hold in Titan Gas Holdings. Therefore they are deemed to have interest in the shares in which IDG-Accel Ultimate GP has interest.

20. Kingsbury is controlled as to 74.8% by Luo Yuping. By virtue of the acting in concert arrangement referred to in Note 14, Luo Yuping is deemed to have interest in the shares in which Titan Gas Holdings has interest.

21. Rich Harvest Worldwide Ltd. is controlled as to 100% by Zhang Chunhua. Under the SFO, Zhang Chunhua is deemed to have interests in the shares in which Rich Harvest Worldwide Ltd. has interest. Interest in such Ordinary Shares include interest in 127,681,952 underlying Ordinary Shares has interest through derivative interests in 127,681,952 Preferred Shares.

Save as disclosed above, as at 31 March 2016, no person, other than the directors of the Company, whose interests are set out in the section "Directors' 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

The Board noted that Mr. Mo Tianquan, the non-executive director of the Company, has been interested in the 北海銀灘一號項目 (literally translated as Beihai Yintan Project No. 1) (the "Yintan Project"), a hotel project located in Beihai city, Guangxi Zhuang Autonomous Region, the PRC, which is similar to the business of the Group in Guangxi Wharton. However the Board further noted that Guangxi Wharton and the Yintan Project are located in different cities as well as in different styles. Guangxi Wharton is located in Nanning, the capital of Guangxi Zhuang Autonomous Region inland and is a five-star business hotel. The Yintan Project is located in Beihai city which is the major seashore tourism area and is a five-star resort hotel. Taking into account of the strong territoriality in the nature of hotel business, the Board considers that the Yintan Project is not competitive to the Group's business in Guangxi Wharton. Accordingly, the Board is of the view that none of the directors of the Company or their respective associates has an interest in any business apart from the Group's businesses which competes or may compete, either directly or indirectly, with the Group's businesses during the year and up to the date of this report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within 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 annual report.

SHARE OPTION SCHEME

The Company did not adopt any share option scheme. However, the Company may consider to adopt one subject to complying with the Listing Rules.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize the environmental impact and to create a more sustainable future for future generations.

AUDITORS

SHINEWING will retire at the forthcoming annual general meeting of the Company, the Company will offer SHINEWING (being eligible) for re- appointment and if accepted a resolution for the re-appointment of SHINEWING as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Cao Jing
Executive Chairman

Hong Kong
30 June 2016

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF SHUN CHEONG HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Shun Cheong Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 92, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as described in the "Basis for Disclaimer of Opinion" paragraph, 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 as to whether the consolidated financial statements are free from material misstatement. However, because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainty relating to the going concern basis

The Group had net current liabilities of approximately HK$2,774,000 and net liabilities of approximately HK$112,547,000 as at 31 March 2016 and the Group incurred a loss for the year of approximately HK$3,778,000 for the year ended 31 March 2016.

As explained in the basis of preparation set out in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the consolidated financial statements. However, we are unable to obtain sufficient appropriate audit evidence regarding the continuing provision of financing by the Group's principal banker to the Group, the successful implementation and outcome of the measures and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
30 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000 (Re-presented)
Continuing operation			
Revenue	*8*	**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other income	*10*	**195**	195
Administrative expenses		**(4,883)**	(1,395)
Fair value loss on equity investment at fair value through profit or loss		**(351)**	(7,209)
Finance costs	*11*	**(5,891)**	(5,269)
Loss on modifications of terms of convertible bond		**–**	(68,890)
Loss before tax		**(10,930)**	(82,568)
Income tax expense	*12*	**–**	–
Loss for the year from continuing operation	*14*	**(10,930)**	(82,568)
Discontinued operations			
Profit (loss) for the year from discontinued operations	*13*	**7,152**	(152,366)
Loss for the year		**(3,778)**	(234,934)
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive (expenses) income of joint ventures		**(245)**	450
Exchange difference arising on translation of foreign operations		**(3,497)**	954
Other comprehensive (expenses) income for the year		**(3,742)**	1,404
Total comprehensive expenses for the year		**(7,520)**	(233,530)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000 (Re-presented)
Profit (loss) for the year attributable to owners of the Company:			
— from continuing operation		**(10,930)**	(82,568)
— from discontinued operations		**7,269**	(151,452)
		(3,661)	(234,020)
Loss for the year attributable to non-controlling interest:			
— from continuing operation		**–**	–
— from discontinued operations		**(117)**	(914)
		(117)	(914)
Total loss for the year		**(3,778)**	(234,934)
Total comprehensive income (expense) for the year attributable to owners of the Company:			
— from continuing operation		**(10,930)**	(82,568)
— from discontinued operations		**3,885**	(150,146)
		(7,045)	(232,714)
Total comprehensive expense for the year attributable to non-controlling interest:			
— from continuing operation		**–**	–
— from discontinued operations		**(475)**	(816)
		(475)	(816)
Total comprehensive expenses for the year		**(7,520)**	(233,530)
Loss per share			
From continuing and discontinued operations			
— Basic and diluted	*17*	**(HK 1.05 cents)**	(HK 67.38 cents)
From continuing operation			
— Basic and diluted	*17*	**(HK 3.15 cents)**	(HK 23.77 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	18	–	327,506
Interests in joint ventures	19	–	88,728
		–	416,234
Current assets			
Inventories	20	–	2,425
Trade receivables	21	–	5,393
Prepayments, deposits and other receivables	22	**1,245**	6,330
Equity investment at fair value through profit or loss	23	**5,840**	6,191
Deposits placed with financial institutions	24	**97**	2,491
Bank balances and cash	25	**616**	15,188
		7,798	38,018
Assets classified as held for sale	13	**416,384**	–
		424,182	38,018
Current liabilities			
Trade payables	26	–	14,716
Other payables, accruals and deposits	27	**9,738**	79,566
Amounts due to related companies	28	–	7,678
Tax payables		–	5,401
Interest-bearing bank borrowings	30	–	77,767
		9,738	185,128
Liabilities directly associated with assets classified as held for sale	13	**417,218**	–
		426,956	185,128
Net current liabilities		**(2,774)**	(147,110)
Total assets less current liabilities		**(2,774)**	269,124
Non-current liabilities			
Amounts due to related companies	28	–	148,941
Convertible bond	29	**109,773**	105,082
Interest-bearing bank borrowings	30	–	120,128
Total non-current liabilities		**109,773**	374,151
Net liabilities		**(112,547)**	(105,027)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	*31*	**3,473**	3,473
Reserves		**(122,928)**	(115,883)
Capital deficiency attributable to owners of the Company		**(119,455)**	(112,410)
Non-controlling interests		**6,908**	7,383
Capital deficiency		**(112,547)**	(105,027)

The consolidated financial statements on pages 27 to 92 were approved and authorised for issue by the board of directors on 30 June 2016 and are signed on its behalf by:

Ms. Cao Jing
Director

Mr. Zhang Shaohua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Capital deficiency attributable to owners of the Company										
	Share Capital HK$'000	Share Premium HK$'000	Contributed surplus HK$'000 (Note a)	Equity component of convertible bond HK$'000	Capital redemption reserve HK$'000 (Note b)	Exchange fluctuation reserve HK$'000 (Note c)	Other reserve HK$'000 (Note d)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	(Capital deficiency) total equity HK$'000
At 1 April 2014	3,473	119,068	46,909	52,225	132	22,527	1,013	(245,193)	154	8,199	8,353
Loss for the year	–	–	–	–	–	–	–	(234,020)	(234,020)	(914)	(234,934)
Other comprehensive income											
Share of other comprehensive income of joint ventures	–	–	–	–	–	450	–	–	450	–	450
Exchange difference arising on translation of foreign operations	–	–	–	–	–	856	–	–	856	98	954
Total other comprehensive income for the year	–	–	–	–	–	1,306	–	–	1,306	98	1,404
Total comprehensive income (expenses) for the year	–	–	–	–	–	1,306	–	(234,020)	(232,714)	(816)	(233,530)
Deemed capital contribution	–	–	–	–	–	–	39,283	–	39,283	–	39,283
Derecognition upon modification of terms of convertible bond	–	–	–	(52,225)	–	–	–	–	(52,225)	–	(52,225)
Recognition upon modification of terms of convertible bond	–	–	–	133,092	–	–	–	–	133,092	–	133,092
At 31 March 2015	3,473	119,068	46,909	133,092	132	23,833	40,296	(479,213)	(112,410)	7,383	(105,027)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Capital deficiency attributable to owners of the Company										
	Share Capital HK$'000	Share Premium HK$'000	Contributed surplus HK$'000 *(Note a)*	Equity component of convertible bond HK$'000	Capital redemptions reserve HK$'000 *(Note b)*	Exchange fluctuation reserve HK$'000 *(Note c)*	Other reserve HK$'000 *(Note d)*	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Capital deficiency HK$'000
At 1 April 2015	3,473	119,068	46,909	133,092	132	23,833	40,296	(479,213)	(112,410)	7,383	(105,027)
Loss for the year	–	–	–	–	–	–	–	(3,661)	(3,661)	(117)	(3,778)
Other comprehensive expenses											
Share of other comprehensive expenses of joint ventures	–	–	–	–	–	(245)	–	–	(245)	–	(245)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(3,139)	–	–	(3,139)	(358)	(3,497)
Total other comprehensive expenses for the year	–	–	–	–	–	(3,384)	–	–	(3,384)	(358)	(3,742)
Total comprehensive expenses for the year	–	–	–	–	–	(3,384)	–	(3,661)	(7,045)	(475)	(7,520)
At 31 March 2016	3,473	119,068	46,909	133,092	132	20,449	40,296	(482,874)	(119,455)	6,908	(112,547)

Notes:

(a) The contributed surplus of the Group represented the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's capital reorganisation in 2006. Under the Companies Law of the Bermuda, the contributed surplus is distributable under certain specific circumstances.

(b) The capital redemption reserve represented the nominal value of the shares repurchased by the Company.

(c) The exchange fluctuation reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Other reserve represented a contribution from related companies resulting from the balances of interest-free loans as described in note 28 to the consolidated financial statements, being the difference between the loan principal and the fair value of their liability component calculated upon initial recognition.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000 (Re-presented)
OPERATING ACTIVITIES		
Loss before tax from continuing operation	**(10,930)**	(82,568)
Profit (loss) before tax from discontinued operations	**7,152**	(152,366)
Loss before tax	**(3,778)**	(234,934)
Adjustments for:		
Finance costs	**25,907**	23,432
Bank interest income	**(42)**	(71)
Share of results of joint ventures	**1,251**	5,258
Depreciation of property, plant and equipment	**6,510**	38,996
Impairment loss recognised on other receivables	**–**	1,173
Impairment loss recognised on trade receivables	**1,668**	1,193
Impairment loss recognised on property, plant and equipment	**–**	120,865
Reversal of impairment loss recognised on trade receivables in prior years	**(1,309)**	(680)
Loss on modifications of terms of convertible bond	**–**	68,890
Loss on written off of property, plant and equipment	**60**	5
Fair value gain on equity investment at fair value through profit or loss	**351**	7,209
Dividend income from an equity investment at fair value through profit or loss	**(195)**	(195)
Operating cash flows before movements in working capital	**30,423**	31,141
Decrease (increase) in inventories	**112**	(176)
Increase in trade receivables	**(1,018)**	(604)
Decrease (increase) in prepayments, deposits and other receivables	**1,247**	(11,734)
Increase in trade payables	**1,830**	950
Increase (decrease) in other payables, accruals and deposits	**11,914**	(892)
Decrease in provision	**–**	(166,606)
Net cash generated from (used in) operating activities	**44,508**	(147,921)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000 (Re-presented)
INVESTING ACTIVITIES		
Interest received	**42**	71
Purchases of property, plant and equipment	**(2,675)**	(4,843)
Withdrawal of deposits with financial institution	**2,394**	–
Placement of deposits with financial institution	**–**	(165)
Dividend received from an equity investment at fair value through profit or loss	**195**	195
Net cash used in investing activities	**(44)**	(4,742)
FINANCING ACTIVITIES		
Advance from related companies	**3,313**	181,550
Interest paid	**(11,224)**	(16,856)
Repayment of bank borrowings	**(75,455)**	(77,767)
New bank borrowings raised	**36,807**	37,935
Net cash (used in) generated from financing activities	**(46,559)**	124,862
Net decrease in cash and cash equivalents	**(2,095)**	(27,801)
Cash and cash equivalents at the beginning of year	**15,188**	42,793
Effect of foreign exchange rate changes	**(647)**	196
Cash and cash equivalents at the end of year	**12,446**	15,188
Cash and cash equivalents at the end of year, represented by		
Bank balances and cash	**12,336**	15,078
Non-pledged time deposits with original maturity of less than three months when acquired	**110**	110
	12,446	15,188

1. GENERAL

Shun Cheong Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business is located at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Upsky Enterprises Limited ("Upsky"), incorporated in the British Virgin Islands and Mr. Mo Tianquan ("Mr. Mo") is the ultimate beneficial owner of Upsky.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company while the functional currency of a principal subsidiary of the Company operated in the People's Republic of China (the "PRC"), 廣西沃頓國際大酒店有限公司 ("沃頓酒店"), is Renminbi ("RMB").

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 37.

2. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the following facts and circumstances:

(i) the Group incurred a consolidated net loss of approximately HK$3,778,000 for the year ended 31 March 2016;

(ii) the Group had recorded net current liabilities and net liabilities of approximately HK$2,774,000 and HK$112,547,000 as at 31 March 2016 respectively;

In view of above, the directors of the Company considered the Group has adequate cash flows to maintain the Group's operation:

(i) The Group's principal banker will continue to provide continuing financing to the Group under the Group's existing available facilities; and

(ii) The Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Accordingly, the directors of the Company are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 March 2016 on a going concern basis.

Should the Group be not able to continue to operate as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

Annual Improvements to HKFRSs 2010–2012 Cycle (continued)

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company consider that the application of the amendments to HKFRSs 2010–2012 Cycle has had no material impact in the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011–2013 Cycle has had no material impact in the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual period beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

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

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

HKFRS 9 (2014) Financial Instruments (continued)

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss ("FVTPL"), HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

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

HKFRS 9 (2014) Financial Instruments (continued)

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

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

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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

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

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue;

.

(ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

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

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

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is 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 entities of the Group are eliminated in full on consolidation.

Investment in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Interests in joint ventures

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

The Group's investments in joint ventures are accounted for in the consolidated financial statements using the equity method, except for the investments classified as held for sale in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in joint ventures are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the joint ventures are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of joint ventures equals or exceeds its interest in the joint ventures, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint ventures (continued)

For joint ventures using accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the joint venture's accounting policies conform to those of the Group when the joint ventures' financial statements are used by the Group in applying the equity method.

Investment in joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the joint venture. Goodwill that forms part of the carrying amount of an investment in a joint venture is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be a joint venture upon the Group losing significant influence over the joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the joint venture in accordance with HKAS 39 unless the retained interest continues to be a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in joint ventures above).

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of sales related taxes.

Revenue from food and beverage sales is recognised when the services are rendered.

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

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

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and Mandatory Provident Fund ("MPF") Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short term employee benefits

A liability is recognised for benefit accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange of the related service.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss and other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and financial assets at fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 7.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss on financial assets

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

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

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, other payables, accruals, amounts due to related companies, convertible bond and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible bond containing liability and equity components

Convertible bond issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (Equity component of convertible bond).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible bond until the embedded option is exercised (in which case the balance stated in equity component of convertible bond will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible bond will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment losses on tangible assets

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern and liquidity

As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into the considerations as detailed in note 2. The directors of the Company also believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period.

Legal title of buildings

As detailed in note 18, certain of the Group's buildings have not been granted legal title from the relevant government authorities. Although the Group has not obtained the relevant legal title as at 31 March 2016, the directors of the Company had recognised the buildings on the grounds that they expected the legal title to be obtained in the near future with no major difficulties and the Group in substance were controlling these buildings.

Classification of joint ventures

As detailed in note 19, the Group's management exercises its critical judgement when determining whether the Group has share of control over an entity by evaluating the terms of the contractual arrangement signed by the Group and the shareholder of the joint ventures ("Shareholders' Agreement"). The directors of the Company consider that the Group is able to influence the operations of the joint ventures regarding the unanimous consent of all the parties sharing control which is required for resolution of important strategic financing and operation decisions under the Shareholders' Agreement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The determination of the useful lives and residual values involve management's estimation based on experience about economic useful lives of the assets and by making reference to market prices of similar assets. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

Estimated impairment of property, plant and equipment

As at 31 March 2016, the carrying amount of the property, plant and equipment was nil (2015: HK$327,506,000, net of accumulated impairment of approximately HK$120,865,000). Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. No impairment loss (2015: HK$120,865,000) has been recognised during the year ended 31 March 2016 as detailed set out in note 18.

Valuation of liability component of convertible bond

The fair values of liability component of convertible bond that are not traded in an active market are estimated by management based on the valuation performed by independent valuer. The fair values of liability component of convertible bond are valued using binomial model based on assumptions supported, where possible, by observable market prices or rates. The fair value of the liability component of convertible bond immediately following the modification was approximately HK$102,024,000. Further details are given in note 29.

Estimated impairment of other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2016, the carrying amount of other receivables is approximately HK$1,245,000 (net of allowance for doubtful debts of nil) (2015: HK$6,330,000, (net of allowance for doubtful debts of HK$2,866,000)).

Income tax

The Group is subject to income taxes in Hong Kong and the PRC. There are certain calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the convertible bond disclosed in note 29 and interest-bearing bank borrowings disclosed in note 30, net of cash and cash equivalents and capital deficiency attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company monitors capital risk using a gearing ratio, which is defined as interest-bearing debts divided by total assets. The gearing ratios as at 31 March 2016 and 2015 are as follows:

	2016 **HK$'000**	2015 HK$'000
Interest-bearing debts:		
— Interest-bearing bank borrowings	**–**	197,895
— Amounts due to related companies	**–**	148,941
— Convertible bond	**109,773**	105,082
	109,773	451,918
Total assets	**424,182**	454,252
Gearing ratio	**26%**	99%

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Equity investment at fair value through profit or loss	**5,840**	6,191
Loans and receivables (including cash and cash equivalents)	**1,734**	27,863
	7,574	34,054
Financial liabilities		
Financial liabilities at amortised cost	**119,511**	506,063

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, equity investment at fair value through profit or loss, deposits placed with financial institutions, bank balances and cash, trade payables, other payables, accruals, amounts due to related companies, convertible bond and interest-bearing bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group operates mainly in the PRC and HK, transactions, assets and liabilities denominated in currencies other than the functional currency of the respective group companies are minimal and therefore the directors of the Company considers the foreign exchange risk is minimal.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate short-term deposits, amounts due to related companies, convertible bond and fixed-rate bank borrowings. Details of the Group's short term deposits, amounts due to related companies, convertible bond and interest-bearing bank borrowings are disclosed in notes 25, 28, 29 and 30 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate interest-bearing bank borrowings as disclosed in note 30. The Group currently does not have an interest rate hedging policy. However, the director's of the Company monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The exposure to interest rates for interest-bearing bank borrowings and deposit at the end of the reporting period is not material to the Group. As no significant impacts on the results of the Group would rise from the changes in interest rates for interest-bearing bank borrowings and deposit, accordingly sensitivity analysis in this respect is not presented.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in information technology industry sector quoted in the New York Stock Exchange. In addition, the Group currently does not have any hedging policy and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the price of the respective equity instruments had been 5% (2015: 5%) higher/lower, post-tax loss for the year ended 31 March 2016 would decrease/increase by approximately HK$244,000 (2015: HK$258,000) as a result of the changes in fair value of equity investment at fair value through profit or loss.

The Group's sensitivity to equity investment at fair value through profit or loss has not changed significantly from the prior year.

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables, deposit and other receivables. Management has policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group had no material concentration of credit risk by geographical locations as at 31 March 2016 (2015: concentration of credit risk mainly in PRC, representing 100% of the trade receivable as at 31 March 2015).

Cash and bank deposits are mainly placed in major domestic banks with good credit ratings. Rental deposits are mainly paid to domestic private entities who are currently leasing the office premises to the Group. The Group's credit risk is primarily attributable to its deposits and other receivables. Management monitors each individual debt on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has no significant concentration of credit risk, with the exposure spreading over a large number of counterparties. Further quantitative data in respect of the Group's exposure to credit risk arising from deposits and other receivables are disclosed in note 22.

Liquidity risk

At 31 March 2016, the Group had net current liabilities and net liabilities of approximately HK$2,774,000 and HK$112,547,000, respectively and the Group had incurred loss of approximately HK$3,778,000 for the year ended 31 March 2016. As explained in note 2, the management has taken several measures and arrangements to improve the financial position of the Group and after taking into account the proposed plans, the board of directors considers that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due at least next twelve months.

The consolidated financial statements have been prepared on a going concern basis. The Group relies on bank borrowings, banking facilities and amounts due to related companies as a significant source of liquidity. Details of which are set out in note 30.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and additional funding to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and convertible bond. The directors of the Company believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Details of which are set out in note 2.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by 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.

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

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

	On demand or within one year HK$'000	One to five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2016				
Other payables and accruals	**9,738**	**–**	**9,738**	**9,738**
Convertible bond	**1,200**	**121,300**	**122,500**	**109,773**
	10,938	**121,300**	**132,238**	**119,511**

	On demand or within one year HK$'000	One to five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2015				
Trade payables	14,716	–	14,716	14,716
Other payables and accruals	31,751	–	31,751	31,751
Amounts due to related companies	9,006	193,787	202,793	156,619
Interest-bearing bank borrowings	90,467	135,864	226,331	197,895
Convertible bond	1,200	122,500	123,700	105,082
	147,140	452,151	599,291	506,063

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

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than one year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2016			
Deposits and other receivables	**1,021**	**1,021**	**1,021**
Deposits placed with financial institution	**97**	**97**	**97**
Equity investment at fair value through profit or loss	**5,840**	**5,840**	**5,840**
Bank balances and cash	**616**	**616**	**616**
	7,574	**7,574**	**7,574**

	Less than one year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2015			
Trade receivables	5,393	5,393	5,393
Deposits and other receivables	4,791	4,791	4,791
Deposits placed with financial institution	2,491	2,491	2,491
Equity investment at fair value through profit or loss	6,191	6,191	6,191
Bank balances and cash	15,188	15,188	15,188
	34,054	34,054	34,054

7. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements recognised of financial instruments

The Group's financial asset at FVTPL is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined.

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2016	2015		
Held-for-trading non-derivative financial assets classified as financial assets at FVTPL in the consolidated statement of financial position (see note 23)	Listed securities in the New York Stock Exchange: — Technology: US$748,750 (equivalent to HK$5,840,000)	Listed securities in the New York Stock Exchange: — Technology: US$793,750 (equivalent to HK$6,191,000)	Level 1	Quoted bid prices in an active market.

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

There were no transfers between levels of fair value hierarchy in the current year and prior year.

8. REVENUE

The Company did not generate any revenue from continuing operation during the year (2015: Nil).

9. SEGMENT INFORMATION

Information reported to the board of directors of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Hotel business segment was discontinued during the year ended 31 March 2016. The segment information reported below does not include any amounts for these discontinued operations, which is described in more details in note 13.

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

Corporate and others — investment in equity investment at fair value through profit or loss, corporate income, expense items, corporate assets and liabilities

9. SEGMENT INFORMATION (continued)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results for continuing operation by reportable and operating segment for the years ended 31 March:

Continuing operation

	Corporate and others		Total	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(Re-presented)
Revenue	**–**	–	**–**	–
Other revenue	**195**	195	**195**	195
Segment revenue	**195**	195	**195**	195
Segment loss	**(5,039)**	(8,409)	**(5,039)**	(8,409)
Unallocated Finance costs			**(5,891)**	(5,269)
Unallocated Loss on modifications of terms of convertible bond			**–**	(68,890)
Loss before tax			**(10,930)**	(82,568)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment loss represents the loss from earned by each segment without allocation of finance costs and loss on modifications of terms of convertible bond. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

9. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

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

Continuing operation

	Hotel business		Corporate and others		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS						
Segment and consolidated assets	**–**	433,871	**7,798**	20,381	**7,798**	454,252
Total segment assets					**7,798**	454,252
Assets relating to discontinued operations/assets classified as held for sale					**416,384**	–
Consolidated assets					**424,182**	454,252
LIABILITIES						
Segment liabilities	**–**	87,713	**9,738**	6,569	**9,738**	94,282
Unallocated liabilities					**109,773**	464,997
Total segment liabilities					**119,511**	559,279
Liabilities relating to discontinued operations/liabilities classified with assets classified as held for sale					**417,218**	–
Consolidated liabilities					**536,729**	559,279

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

- all assets are allocated to reportable and operating segments.
- all liabilities are allocated to reportable and operating segments other than tax payables, interest-bearing bank borrowings, amounts due to related companies and convertible bond.

9. SEGMENT INFORMATION (continued)

(c) Other segment information

Continuing operation

	Corporate and others		Total	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	**3**	4	**3**	4
Fair value gain on equity investment at fair value through profit or loss	**351**	7,209	**351**	7,209
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Finance cost	**5,891**	5,269	**5,891**	5,269

(d) Geographical segment

The Group operates in two principal geographical areas: the PRC (country of domicile) and Hong Kong.

Information about the Group's non-current assets is presented based on the geographical location of the assets as detailed below:

	Non-current assets	
	As at	As at
	2016	2015
	HK$'000	HK$'000
The PRC	**–**	416,231
Hong Kong	**–**	3

(e) Information about major customers

During the year, none of the Group's turnover was derived from transactions with individual external customers contributing over 10 per cent of the Group's turnover (2015: nil).

10. OTHER INCOME

	2016 HK$'000	2015 HK$'000 (Re-presented)
Dividend income from equity investment at FVTPL	**195**	195

11. FINANCE COSTS

	2016 HK$'000	2015 HK$'000 (Re-presented)
Effective interest expense on convertible bond *(note 29)*	**5,891**	5,269

12. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000 (Re-presented)
Continuing operation		
Current tax:		
Hong Kong Profits Tax	**–**	–
Deferred tax *(note 33)*	**–**	–
	–	–

Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in the Bermuda.

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the assessable profits for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision of EIT has been made as the Group did not have any assessable profits subject to EIT Law for the year ended 31 March 2016 (2015: Nil).

12. INCOME TAX EXPENSE (continued)

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

	2016 HK$'000	2015 HK$'000 (Re-presented)
Continuing operation		
Loss before tax	**(10,930)**	(82,568)
Tax at the domestic income tax rate at 16.5% (2015: 16.5%) *(Note)*	**(1,803)**	(13,623)
Tax effect of income not taxable	**(32)**	(32)
Tax effect of expenses not deductible	**1,835**	13,655
Tax expense for the year	**–**	–

Details of deferred tax are set out in note 33.

Note: The domestic tax rate (which is the Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

13. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 22 June 2015, the Company entered into the sale and purchase agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) for the disposal of entire equity interest in Aykens Holdings Limited ("Aykens"), Hopland Enterprises Limited ("Hopland") and their respective subsidiaries (collectively referred to as the "Divestment Group") to Upsky, the immediate and ultimate holding company of the Company. The assets and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The results of the Divestment Group are presented in this consolidated financial statement as a discontinued operation. The comparative information has been restated to present the results of the hotel business as discontinued operation to conform with the current period presentation.

13. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (continued)

The results of the hotel business for the years were as follows:

	2016 HK$'000	2015 HK$'000
Revenue	**138,293**	143,695
Cost of sales	**(85,122)**	(115,825)
Gross profit	**53,171**	27,870
Other income	**2,518**	2,375
Administrative expenses	**(25,500)**	(34,378)
Other operating expenses	**(1,770)**	(2,866)
Impairment loss recognised in respect of property, plant and equipment	**–**	(120,865)
Finance costs	**(20,016)**	(19,244)
Share of results of joint ventures	**(1,251)**	(5,258)
Profit (loss) before tax	**7,152**	(152,366)
Income tax expense	**–**	–
Profit (loss) for the year from discontinued operation (attributed to owners of the company)	**7,152**	(152,366)

Loss for the year from discontinued operation has been arrived at after charging (crediting):

	2016 HK$'000	2015 HK$'000
Staff costs		
— Salaries and related staff costs	**34,850**	26,541
— Retirement benefits scheme contributions	**4,620**	3,794
	39,470	30,335
Depreciation of property, plant and equipment	**6,507**	38,996
Auditor's remuneration	**31**	31
Minimum lease payment under operating leases of offices properties	**–**	28
Loss on written off of property, plant and equipment	**60**	5
Litigation claim	**–**	9,257
Impairment loss recognised on trade receivables (included in other operating expenses)	**1,668**	1,193
Impairment loss recognised on other receivables (included in other operating expenses)	**–**	1,173
Bank interest income	**42**	71
Reversal of impairment loss on trade receivables (included in other income)	**(1,309)**	(680)

13. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (continued)

	2016 HK$'000	2015 HK$'000
Net cash generated from (used in) operating activities	**47,930**	(147,911)
Net cash used in investing activities	**(2,633)**	(4,772)
Net cash (used in) generated from financing activities	**(47,423)**	127,059

The major classes of assets and liabilities of the Divestment Group as at 31 March 2016, which have been presented separately in the consolidated statement of financial position, are as follows:

	2016 HK$'000
Property, plant and equipment	**305,754**
Interests in joint ventures	**87,232**
Inventories	**2,196**
Trade receivables	**5,774**
Prepayments, deposits and other receivables	**3,598**
Bank balances and cash	**11,830**
Total assets classified as held for sale	**416,384**
Trade payables	**15,787**
Other payables, accruals and deposits	**77,697**
Amounts due to related companies	**168,298**
Tax payables	**5,136**
Interest-bearing bank borrowings	**150,300**
Total liabilities associated with assets classified as held for sale	**417,218**

14. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging:

Continuing operation

	2016 HK$'000	2015 HK$'000 (Re-presented)
Directors' and chief executive's emoluments *(note 15)*	**1,112**	1,134
Staff costs, excluding directors' and chief executive emoluments		
— Salaries and related staff costs	**290**	284
— Retirement benefits scheme contributions	**14**	14
	304	298
Auditor's remuneration	**835**	709

15. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 7 (2015: 6) directors and the chief executive were as follows:

For the year ended 31 March 2016

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
Ms. Cao Jing	–	–	–	–
Mr. Zhang Shaohua *(Note a)*	**105**	–	–	**105**
Non-executive director				
Mr. Mo Tianquan	**630**	–	–	**630**
Independent non-executive directors				
Mr. Ye Jianping	**105**	–	–	**105**
Mr. Palaschuk Derek Myles	**189**	–	–	**189**
Prof. Chen Zhi Wu *(Note b)*	**70**	–	–	**70**
Mr. Wu Jiahong *(Note c)*	**13**	–	–	**13**
	1,112	–	–	**1,112**

For the year ended 31 March 2015

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
Ms. Cao Jing	–	–	–	–
Mr. Zhang Shaohua *(Note a)*	105	–	–	105
Non-executive director				
Mr. Mo Tianquan	630	–	–	630
Independent non-executive directors				
Mr. Ye Jianping	105	–	–	105
Mr. Palaschuk Derek Myles	189	–	–	189
Mr. Wu Jiahong *(Note c)*	105	–	–	105
	1,134	–	–	1,134

15. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

Note a: Mr. Zhang Shaohua is also the chief executive of the Company for the years ended 31 March 2016 and 2015 and his emoluments disclosed above include those for services rendered by him the as the chief executive.

Note b: Prof. Chen Zhi Wu was appointed on 31 July 2015 as independent non-executive director.

Note c: Mr. Wu Jiahong was resigned as independent non-executive director on 16 May 2015.

Note d: No other emoluments paid or receivable for directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking, retirement benefit and compensation for early termination of the appointment for loss of office for the years ended 31 March 2016.

None of the directors and the chief executive waived or agreed to waive any emoluments paid by the Group during the years ended 31 March 2016 and 2015.

The remuneration of directors and the chief executive of the Company were determined by the remuneration committee having regard to the performance of individual and market trends.

(b) Employees' emoluments

The five highest paid individuals of the Group included two (2015: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2015: three) individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**745**	746
Retirement benefit scheme contributions	**11**	11
	756	757

The emoluments of the remaining three (2015: three) individuals were within the following bands:

	2016 Number of employees	2015 Number of employees
Nil – HK$1,000,000	**3**	3

During the years ended 31 March 2016 and 2015, no emoluments were paid or payable by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

17. LOSS PER SHARE

From continuing and discontinued operations

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

	2016 **HK$'000**	2015 HK$'000 (Re-presented)
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to the owners of the Company	**(3,661)**	(234,020)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	**5,891**	5,269
Profit (loss) for the purpose of diluted loss per share	**2,230**	(228,751)

	2016 **'000**	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**347,326**	347,326
Effect of dilutive potential ordinary shares		
Convertible bond	**324,763**	324,763
Weighted average number of ordinary shares for the purpose of diluted loss per share	**672,089**	672,089

	2016	2015
Basic and diluted loss per share *(in HK cents)*	**(1.05)**	(67.38)

For the years ended 31 March 2016 and 2015, because the diluted loss per share decreased when taking into account of the convertible bond, the convertible bond had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts are based on the loss for the year attributable to owners of the Company of approximately HK$3,661,000 (2015: HK$234,020,000), and the weighted average number of ordinary shares of approximately 347,326,000 (2015: 347,326,000) in issue during the year.

17. LOSS PER SHARE (continued)

From continuing operation

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

Loss figures are calculated as follows:

	2016 HK$'000	2015 HK$'000 (Re-presented)
Loss for the year attributable to owners of the Company	**(3,661)**	(234,020)
Less: Profit (loss) for the year from discontinued operations	**7,269**	(151,452)
Loss for the purpose of loss per share from continuing operation	**(10,930)**	(82,568)
Effect of dilutive potential ordinary shares from interest on convertible bonds	**5,891**	5,269
Loss for the purpose of diluted loss per share	**(5,039)**	(77,299)

The denominators detailed above for both basic and diluted loss per share.

Diluted loss per share was same as the basic loss per share for the year ended 31 March 2016, as the effect of the Company's outstanding convertible bond would result in a decrease in loss per share for the year ended 31 March 2016.

From discontinued operations

Basic earnings per share for the discontinued operation is HK2.09 cents per share (2015: loss per share HK43.61 cents per share) and diluted earnings per share for the discontinued operation is HK1.96 cents per share (2015: loss per share HK43.61 cents per share), based on the profit (2015: loss) for the year from the discontinued operation of approximately HK$13,160,000 (2015: HK$146,183,000) and the denominators detailed above for basic and diluted loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Machinery and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost						
At 1 April 2014	412,291	132,499	88,047	4,877	217,556	855,270
Exchange realignment	6,309	1,636	946	100	1,184	10,175
Additions	–	368	844	–	3,631	4,843
Written off	–	(4)	(30)	(19)	–	(53)
As at 31 March 2015 and 1 April 2015	418,600	134,499	89,807	4,958	222,371	870,235
Exchange realignment	(24,475)	(6,567)	(4,814)	(241)	(4,894)	(40,991)
Additions	–	74	740	–	1,861	2,675
Written off	–	(4)	(224)	–	(339)	(567)
Reclassified as discontinued	(394,125)	(127,958)	(85,489)	(4,717)	(218,942)	(831,231)
At 31 March 2016	–	44	20	–	57	121
Accumulated depreciation						
At 1 April 2014	129,297	107,737	56,532	3,078	81,118	377,762
Exchange realignment	1,941	1,018	257	41	1,897	5,154
Charge for the year	14,771	6,825	5,554	597	11,249	38,996
Impairment loss recognised	–	13,206	19,191	–	88,468	120,865
Written off	–	(4)	(27)	(17)	–	(48)
At 31 March 2015 and 1 April 2015	146,009	128,782	81,507	3,699	182,732	542,729
Exchange realignment	(8,317)	(6,043)	(4,071)	(192)	(4,511)	(23,134)
Charge for the year	3,165	293	790	77	2,185	6,510
Written off	–	(3)	(199)	–	(305)	(507)
Reclassified as discontinued	(140,857)	(122,985)	(78,007)	(3,584)	(180,044)	(525,477)
At 31 March 2016	–	44	20	–	57	121
Carrying values						
At 31 March 2016	–	–	–	–	–	–
At 31 March 2015	272,591	5,717	8,300	1,259	39,639	327,506

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual values, over their estimated useful lives as follows:

Land and buildings	2% to 3%
Machinery and equipment	6% to 20%
Furniture and office equipment	9% to 30%
Motor vehicles	18% to 24%
Leasehold improvement	5 years or over the lease terms, whichever is shorter

Certain of the properties of held for sale assets had been pledged for interest-bearing bank borrowings granted to the Group with a net carrying amounts HK$253,268,000 (2015: HK$272,591,000) (see note 30).

During the year ended 31 March 2015, as a result of the continuous decline in the performance of the Group, the Group carried out a review of the recoverable amount of the Group's property, plant and equipment. The review led to the recognition of impairment losses on machinery and equipments of HK$12,891,000, furniture and office equipment of HK$18,742,000, and leasehold improvement of HK$89,519,000, which had been recognised in consolidated statement of profit or loss and other comprehensive income. The pre-tax discount rate in measuring the amounts of value in-use was 8.5%.

19. INTERESTS IN JOINT VENTURES

	2016 **HK$'000**	2015 HK$'000
Cost of investment in joint ventures — unlisted	–	32,841
Share of post acquisition loss and other comprehensive expenses	–	(9,672)
Advance to a joint venture	–	65,559
	–	88,728

The advance to a joint venture was unsecured, interest-free and repayable on demand. In the opinion of the directors, the advance is considered as quasi-equity investments in the joint venture. As at 31 March 2016, the joint ventures with carrying amount of HK$87,232,000 have been classified as held for sale as disclosed in note 13.

At 31 March 2016 and 2015, the Group had interests in the following joint ventures:

Name of entities	Form of business structure	Place of incorporation and operation	Particulars of registered capital	Percentage of ownership interest and voting rights held by the Group **2016**	2015	Principal Activities
廣西普凱興業酒店投資有限公司 ("興業酒店") *(Note b)*	Domestic equity joint venture	PRC	RMB50,360,000	**26.7%**	26.7%	Investment holding
北海海興房地產開發有限公司 ("北海海興") *(Notes a & b)*	Wholly-owned domestic enterprise	PRC	RMB10,000,000	**26.7%**	26.7%	Inactive

Notes:

(a) 北海海興 is a wholly owned subsidiary of 興業酒店. The interests in joint ventures are indirectly held by the Company.

(b) Since unanimous consent of all the parties sharing control is required for resolution of important strategic financing and operating decisions, the investment was classified as joint venture even though the Group has a 26.7% voting interest.

19. INTERESTS IN JOINT VENTURES (continued)

The summarised financial information below represents amounts shown in the 興業酒店 and its subsidiary's financial statements which are material to the group and are accounted for using equity method and are prepared in accordance with HKFRSs.

	2015 HK$'000
Current assets	6,350
Non-current assets	601,975
Current liabilities	(268,649)
Non-current liabilities	(252,900)
Net assets	86,776

The above amounts of assets and liabilities include the following:

	2015 HK$'000
Cash and cash equivalents	1,278
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	252,900

	2015 HK$'000
Revenue	2,469
Loss for the year	(19,692)
Other comprehensive income for the year	1,685
Total comprehensive expense for the year	(18,007)

19. INTERESTS IN JOINT VENTURES (continued)

The above loss for the year includes the following:

	2015 HK$'000
Depreciation	17,357
Interest income	–
Interest expenses	–
Income tax expenses	–

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	2015 HK$'000
Net assets of 興業酒店 and its subsidiary	86,776
Proportion of the Group's interests in 興業酒店 and its subsidiary	26.7%
Carrying amount of the Group's interests in 興業酒店 and its subsidiary	23,169

20. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials	**–**	688
Low-valued consumables	**–**	1,335
Consumables	**–**	402
	–	2,425

21. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	–	21,041
Less: allowance for doubtful debts	–	(15,648)
	–	5,393

Settlement of trade receivables is in accordance with the terms specified in the contracts governing the relevant transactions. The Group allows credit period ranging from cash on delivery of services to 60 days. A longer credit period is granted to a few customers with long business relationship with the Group and with strong financial positions. The Group does not hold any collateral over these balances.

(a) The following is an aged analysis of trade receivables net of allowance for doubtful debts based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	2016 HK$'000	2015 HK$'000
Within 30 days	–	3,951
31 days – 60 days	–	746
61 days – 90 days	–	10
Over 90 days	–	686
	–	5,393

(b) Movements in the allowance for doubtful debts during the year are as follows:

	2016 HK$'000	2015 HK$'000
At 1 April	**15,648**	14,948
Impairment loss recognised on receivables	**1,668**	1,193
Reversal of impairment loss recognised on receivables	**(1,309)**	(680)
Exchange realignment	**(775)**	187
Reclassification of assets held for sale *(note 13)*	**(15,232)**	–
At 31 March	–	15,648

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of nil (2015: HK$15,648,000) which have either been placed under liquidation or in severe financial difficulties. Impairment loss of HK$1,668,000 (2015: HK$1,193,000) has been recognised during the year ended 31 March 2016 accordingly.

21. TRADE RECEIVABLES (continued)

(c) As at 31 March 2016, no trade receivables (2015: HK$695,000) of the Group were past due as at the reporting date but not impaired. The ageing analysis of these past due but not impaired receivables based on credit terms is as follows:

	2016 **HK$'000**	2015 HK$'000
Less than 30 days past due	–	2
31 to 90 days past due	–	117
Over 90 days past due	–	576
	–	695

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Prepayments	**224**	1,539
Deposits and other receivables	**1,021**	4,791
	1,245	6,330

The above assets are neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Movements in the allowance for doubtful debts of other receivables during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
At 1 April	**2,866**	1,693
Impairment loss recognised on other receivables	–	1,173
Reclassification to assets held for sale *(note 13)*	**(2,866)**	–
At 31 March	–	2,866

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of nil (2015: HK$2,866,000) which were in severe financial difficulties. No impairment loss (2015: HK$1,173,000) has been recognised during the year ended 31 March 2016 accordingly.

23. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed securities		
— Equity securities listed in The New York Stock Exchange	**5,840**	6,191

The above equity investment at 31 March 2016 and 2015 was, upon initial recognition, recognised by the Group as financial assets at fair value through profit or loss.

24. DEPOSIT PLACED WITH FINANCIAL INSTITUTIONS

The deposit placed with financial institution is for the purpose of securities trading. The deposit does not carry any interest (2015: does not carry any interest).

25. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 0.50% (2015: 0.001% to 0.35%) per annum. As at 31 March 2016, the fixed interest rate on bank deposits with initial terms ranging from one month to three months were 0.01% (2015: 0.01%) per annum.

At 31 March 2016, the Group's bank balances and cash has no amount denominated in RMB (2015: approximately RMB4,061,000, equivalent to approximately HK$5,136,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

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

	2016 HK$'000	2015 HK$'000
US$	**29**	9,392

26. TRADE PAYABLES

Ageing analysis of the Group's trade payables at the end of the reporting period presented based on the invoice dates is as follows:

	2016 HK$'000	2015 HK$'000
Within 30 days	–	2,207
31 days – 60 days	–	3,464
Over 60 days	–	9,045
Trade payables	–	14,716

The credit period on purchases of goods ranges from cash on delivery to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

27. OTHER PAYABLES, ACCRUALS AND DEPOSITS

	2016 HK$'000	2015 HK$'000
Deposits received	–	40,476
Other payables	**7,011**	33,609
Accruals	**2,727**	5,481
	9,738	79,566

28. AMOUNTS DUE TO RELATED COMPANIES

	Nominal interest rate (%)	Maturity	Original currency (US$'000)	2016 HK$'000	2015 HK$'000
Non-current portion *(Note (i))*	Fixed rate at 1%	January 2020	– (2015: 8,636)	–	66,968
	Fixed rate at 1%	December 2019	– (2015: 9,117)	–	70,692
	Interest free	March 2017	–	–	11,281
				–	148,941
Current portion	Interest free	Repayable on demand	– (2015: nil)	–	7,678
				–	156,619

Note:

(i) During the year ended 31 March 2015, the Group received US$22,550,000 (equivalent to approximately HK$174,857,000)) interest bearing advances from the related companies bearing 1% interest per annum to be repayable in full within five years and interest free advances amounted to HK$6,693,000 repayable on demand.

The fair values of the liability components of the amounts due to related companies were estimated at the inception date using an equivalent market interest rate for a similar loan. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at effective interest rate of 6.39%. The residual amounts were assigned as the equity components of the amounts due to related companies and are included in shareholder's equity as deemed capital contribution from the related companies. These related companies are ultimately held by Mr. Mo, a non-executive director and ultimate beneficial controlling shareholder of the Company. During the year ended 31 March 2015, the Group recognised a deemed capital contribution in equity of HK$39,283,000 due to fair value adjustment on initial recognition of further advances from the related companies. As at 31 March 2016, amounts due to related companies of HK$168,298,000 were classified as liabilities directly associated with assets classified as held for sale.

29. CONVERTIBLE BOND

On 28 March 2008, the Company issued a five-year, 1% convertible bond with nominal value of HK$120,000,000 (the "Bond") to Tanisca Investment Limited ("Tanisca"). Interest is payable half year in arrears. The Bond is convertible at any time from the first anniversary of the issue date to the maturity date of 28 March 2013, at the holder's option, into 200,000,000 ordinary shares of the Company at an initial conversion price of HK$0.6 per share, subject to adjustments in certain events. The Bond may be redeemed at the option of the Company in whole or in part, upon written confirmation obtained from the bondholder in accordance with the terms of the Bond, or by the bondholder under certain circumstances. Unless previously redeemed, purchased and cancelled or converted, all the outstanding Bond will be converted into ordinary shares of the Company on the maturity date.

On 12 June 2008, the Company, by a right issue, allotted and issued 208,395,600 ordinary shares of HK$0.01 each at the price HK$0.5 per share. As a result, the conversion price of the Bond was adjusted from HK$0.6 per share to HK$0.3695 per share, and the number of shares falling to be issued upon full conversion of the Bond was adjusted from 200,000,000 to 324,763,193 shares.

On 28 March 2013, the Group has entered into a deed of amendment ("Deed of Amendment") with Tanisca to extend the maturity date of the Bond of principal amount of HK$120,000,000 from 28 March 2013 to 28 March 2015. The conversion price remained at HK$0.3695 per share and if any of the Bond has not been converted subsequently, it shall be redeemed on the extended maturity date on 28 March 2015. On 20 May 2013, the shareholders have duly passed the Deed of Amendment in special general meeting.

On 3 June 2014, the Group has entered into a deed of amendment (the "2nd Amendment") with the holder of the Bond to extend the maturity date of the Bond of principal amount of HK$120,000,000 from 28 March 2015 to 30 April 2018. The conversion price remained at HK$0.3695 per share and if any of the Bond has not been converted subsequently, it shall be redeemed on the extended maturity date on 30 April 2018 ("modification"). On 29 June 2014, the shareholders have duly passed the 2nd Amendment in special general meeting.

The fair value of the liability component of the Bond was estimated at the issuance date by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company. The discount rate of the Bond was 5.53% (2015: 5.53%) per annum. The residual amount was assigned as the equity component of the Bond and is included in shareholders' equity.

The modification resulted in the extinguishment of the financial liability of the Bond and the recognition of its new financial liability and equity components. The fair value of the new liability immediately following the modification was approximately HK$102,024,000. The financial liability was determined using a discount rate of 5.53% (2015: 5.53%).

29. CONVERTIBLE BOND (continued)

The Bond has been split as to the liability and equity components, as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 April 2015	112,991	52,225	165,216
Interest expenses *(note 11)*	5,269	–	5,269
Derecognition of original liability/equity component	(114,002)	(52,225)	(166,227)
Recognition of new liability/equity component upon modification	102,024	133,092	235,116
Interest paid	(1,200)	–	(1,200)
At 31 March 2015 and 1 April 2015	105,082	133,092	238,174
Interest expenses *(note 11)*	5,891	–	5,891
Interest paid	(1,200)	–	(1,200)
At 31 March 2016	**109,773**	**133,092**	**242,865**

Note:

The fair value of the convertible bond was valued by using the Binomial Tree Model. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company. The residual amount, representing the value of the equity conversion component, is included in the equity component of convertible bond under equity attributable to the owners of the Company.

The liability component of convertible bond is classified under non-current liabilities.

30. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2016 HK$'000	2015 HK$'000
Unsecured bank loan	2016: 4.35% 2015: 5.86%	2016: March 2017 2015: March 2016	–	37,935
Secured bank loan	Floating rate at the prime lending rate of the People's Bank of China	2016: February 2019 2015: February 2019	–	159,960
			–	197,895

30. INTEREST-BEARING BANK BORROWINGS (continued)

	2016 HK$'000	2015 HK$'000
Carrying amount repayable*:		
Within one year	–	77,767
More than one year, but not exceeding two years	–	39,832
More than two years but not more than five years	–	80,296
Total secured interest-bearing bank borrowings	–	197,895
Less: Amounts due within one year shown under current liabilities	–	(77,767)
Amounts shown under non-current liabilities	–	120,128

* The amounts due are based on scheduled repayment dates as set out in the loan agreements.

As at 31 March 2016, bank borrowings of HK$114,228,000 (2015: HK$159,960,000) were pledged by the Group's certain land and buildings, which were classified as assets held for sale, with net carrying amounts of HK$253,268,000 (2015: HK$272,591,000).

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's unsecured and secured bank loan, which were classified as assets held for sale as at 31 March 2016, are ranged from 4.35% to 4.90% (2015: 5.86% to 6.55%) per annum.

31. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	8,000,000	80,000
Issued and fully paid:		
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	347,326	3,473

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Property, plant and equipment	–	3
Interests in subsidiaries *(Note a)*	1,411	2,271
	1,411	2,274
Current assets		
Deposits placed with financial institutions	97	2,491
Prepayments, deposits and other receivables	1,245	730
Equity investment at fair value through profit or loss	5,840	6,191
Bank balances and cash	616	586
	7,798	9,998
Current liabilities		
Other payables and accruals	9,738	6,562
Net current (liabilities) assets	(1,940)	3,436
Total assets less current liabilities	(529)	5,710
Non-current liability		
Convertible bond	109,773	105,082
Net liabilities	(110,302)	(99,372)
Capital and reserves		
Share capital	3,473	3,473
Reserves *(Note b)*	(113,775)	(102,845)
Capital deficiency	(110,302)	(99,372)

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note a:

	2016 HK$'000	2015 HK$'000
Unlisted shares, at cost	**2**	2
Amounts due from subsidiaries	**1,409**	257,513
	1,411	257,515
Less: Impairment loss recognised on amounts due from subsidiaries	**–**	(255,244)
	1,411	2,271

The amounts due from subsidiaries were unsecured, non-interest bearing and had no fixed terms of repayment.

Note b:

	Share premium HK$'000	Contributed surplus HK$'000 (*Note i*)	Capital redemption reserve HK$'000	Equity component of convertible bond HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014	119,068	60,918	132	52,225	(244,849)	(12,506)
Loss for the year and total comprehensive expense for the year	–	–	–	–	(171,206)	(171,206)
Recognition upon modification of terms of convertible bond	–	–	–	133,092	–	133,092
Derecognition upon modification of terms of convertible bond	–	–	–	(52,225)	–	(52,225)
At 31 March 2015 and 1 April 2015	119,068	60,918	132	133,092	(416,055)	(102,845)
Loss for the year and total comprehensive expense for the year	–	–	–	–	(10,930)	(10,930)
At 31 March 2016	**119,068**	**60,918**	**132**	**133,092**	**(426,985)**	**(113,775)**

Note i: The contributed surplus of the Company represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Company's capital reorganisation in 2006. Under the Companies Law of the Bermuda and the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable under certain specific circumstances.

33. DEFERRED TAXATION

As at 31 March 2016, the Group did not have unused tax losses and other deductible temporary differences from continuing operation.

As at 31 March 2015, the Group did not recognise tax losses of approximately HK$39,090,000 due to the unpredictability of future profit streams from discontinued operation. Tax loss amounting to approximately HK$39,090,000 would be expired within five years.

As at 31 March 2015, the aggregate amount of temporary differences associated with investments in joint ventures for which deferred tax liabilities had not been recognised amounting to approximately HK$10,512,000, as the directors considered that the timing of reversal of the related temporary differences could be controlled and the temporary differences would not reverse in the foreseeable future.

34. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 March 2016 and 2015.

(a) Related parties' transactions

Name of related party	Relationship	Nature of transactions	**2016 HK$'000**	2015 HK$'000
Tanisca	Related parties in which certain directors of the Company have beneficial interests	Interest paid on the convertible bond *(note (i))*	**1,200**	1,200
Upsky International Holdings Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	**78**	15
Media Partner Technology Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	**776**	153
Next Decade Investment Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	**896**	253

(i) Interest expense on the convertible bond was paid to Tanisca at 1% per annum. Tanisca is wholly owned by Mr. Mo, who is a non-executive director and is also the ultimate beneficial controlling shareholder of the Company as at 31 March 2016. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and the issue of the bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the Bond were disclosed in note 29.

(ii) Interest expenses on the amounts due to related companies were paid at 1% per annum. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of these companies. Details of the transaction were disclosed in note 28.

34. RELATED PARTY TRANSACTIONS (continued)

(b) Other arrangements of related parties' transactions

(i) On 30 September 2011 (the US time), the Group acquired in aggregate 25,000 shares in SouFun Holdings Limited ("SouFun") at the aggregate consideration of US$284,410 (approximately equivalent to HK$2,218,000) through various on-market transactions on the New York Stock Exchange. The equity interests acquired represented approximately 0.03% of the total issued share capital of SouFun as at the date of acquisition.

As Mr. Mo is the substantial shareholder and director of SouFun, beneficially holding approximately 32.4% in the total issued share capital of SouFun, and is also a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, SouFun is regarded as a connected person of the Company and hence the acquisition is considered as a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group's investment in SouFun is accounted for as an equity investment at FVTPL, further details of which are included in note 23.

(ii) As detailed in note 19, the Group had an investment in joint ventures during the two years ended 31 March 2016 and 2015, Mr. Mo Tianquan, a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, is also a substantial shareholder and beneficial owner of the JV Partner.

(c) Compensation of key management personnel

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

	2016 **HK$'000**	2015 HK$'000
Short-term benefits	**1,112**	1,134

The remunerations of directors and key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

35. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The employees of certain subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by PRC government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$4,634,000 (2015: HK$3,808,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

36. OPERATING LEASES COMMITMENTS

The Group as lessee

The Group leases various offices properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**1,149**	1,126
In the second to fifth year inclusive	**1,484**	2,633
	2,633	3,759

Leases are negotiated for an average term of five years (2015: five years) and rentals are fixed during the lease period.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2016 and 2015 are as follows:

Name of subsidiaries	Place of incorporation registration/ operation	Issued and fully paid share capital/ registered capital	Proportion effective ownership interest held by the Company Directly	Indirectly	Forms of legal entity	Principal activities
Aykens	British Virgin Islands	US$100	100%	–	Private limited company	Investment holding
Hopland	British Virgin Islands	US$100	100%	–	Private limited company	Investment holding
沃頓酒店	PRC	US$31,927,280	–	100%	Wholly-owned foreign enterprise	Hotel and restaurant operation
Open Land Holdings Limited ("Open Land")	Hong Kong	HK$10,000	–	100%	Private limited company	Investment holding
Unisonic Investment Limited	Hong Kong	HK$10,000	–	100%	Private limited company	Investment holding
廣西普凱礦業科技有限公司 ("普凱礦業")	PRC	US$3,000,000	–	60%	Sino-foreign equity joint venture	Inactive

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

None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principle activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2016	2015
Catering	PRC	**1**	1
Inactive	PRC	**1**	1
		2	2

Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of effective interests held by non-controlling interests		Voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
						HK$'000	HK$'000	**HK$'000**	HK$'000
普凱礦業	PRC	**40%**	40%	**40%**	40%	**(117)**	(914)	**6,908**	7,383

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

普凱礦業	2015 HK$'000
Current assets	19,274
Current liabilities	(935)
Equity attributable to owners of the Company	10,956
Non-controlling interests	7,383

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

	2015 HK$'000
Other income	6
Expenses	(2,291)
Loss for the year	(2,285)
Loss attributable to owners of the Company	(1,371)
Loss attributable to the non-controlling interests	(914)
Loss for the year	(2,285)
Other comprehensive income attributable to owners of the Company	146
Other comprehensive income attributable to the non-controlling interests	98
Other comprehensive income for the year	244

普凱礦業	2015 HK$'000
Total comprehensive expense attributable to owners of the Company	(1,225)
Total comprehensive expense attributable to the non-controlling interests	(816)
Total comprehensive expense for the year	(2,041)
Net cash outflow from operating activities	(2,192)
Net cash inflow from investing activities	6
Net cash inflow from financing activities	11
Net cash outflow	(2,175)

38. CAPITAL COMMITMENT

	2016 HK$'000	2015 HK$'000
Contracted but not provided for:		
— Acquisition of the entire equity capital of Xilin Gol League Hongbo Mining Development Co., Ltd. (the "PRC Target")	**682,000**	–

The Company has entered into an acquisition agreement with an independent third party on 22 June 2015 (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) pursuant to which, the Company conditionally agreed to acquire from the Shanghai Hongbo Investment & Management (Group) Co., Ltd and Shanghai Lida Investment Management Company Limited (the "Target Sellers") the entire equity interests in the Xilin Gol League Hongbo Mining Development Co., Ltd. at a consideration of RMB558,880,000 (equivalent to approximately HK$682,000,000).

39. SUBSEQUENT EVENTS

On 22 June 2015, the Company entered into several agreements (the "Proposed Transactions") as follows:

a. A subscription agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) with several independent subscribers (the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,017,323,774 new shares (the "Subscription Shares"), comprising (i) 1,269,414,575 ordinary subscription shares, (ii) 1,373,954,600 tranche 1 preferred shares under the tranche 1 preferred shares subscription; and (iii) 1,373,954,599 tranche 2 preferred shares, at the subscription price of HK$0.6696 per Subscription Share;

b. An acquisition agreement (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) with the Target Sellers and the PRC Target, pursuant to which the Company conditionally agreed to acquire from the Target Sellers the entire equity interests in the PRC Target at a consideration of RMB558,880,000 (equivalent to approximately HK$682 million);

c. A CN Subscription Agreement (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) as issuer with League Way Ltd. (as subscriber) and Titan Gas Technology Investment Limited (as guarantor), pursuant to which League Way Ltd. conditionally agreed to subscribe for, and the Company conditionally agreed to issue, a convertible promissory note with an aggregate principal amount of HK$250,000,000; and

d. A divestment agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) with Upsky (as purchaser), pursuant to which the Company conditionally agreed to sell, and Upsky conditionally agreed to purchase, 100% of the issued and outstanding share capital of the Divestment Group, the aggregate amount of the net account receivable owed by the Divestment Group to the Company and the shares of SouFun held by the Company at the initial consideration of HK$1,652,995 which shall be subject to adjustment as set out in the divestment agreement.

Completion of the Proposed Transactions is subject to the fulfilment of a number of conditions precedent as stated in the abovementioned agreements. Details of the Proposed Transactions, the conditions precedent, the adjustments to the consideration for the Divestment and the estimated financial effect of the Divestment are set out in the announcements of the Company dated 28 October 2015, 20 November 2015, 28 January 2016, 23 March 2016, 4 May 2016 and 28 June 2016 and the circular of the Company dated 29 June 2016.

On 28 June 2016, the Company entered an option deed with Titan Gas Technology Investment Limited ("Grantor"), pursuant to which the Grantor has granted the option to the Company to sell its entire equity interest in the PRC Target to the Grantor. Details are set out in the announcement of the Company dated 28 June 2016.