廣澤地產

ANNUAL REPORT 2015/16

GROUND PROPERTIES

GROUND PROPERTIES COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code：989

Contents

* *The English names of the PRC entities referred to in this annual report are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.*

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAI Xiu *(Chairperson)*
(resigned as Chief Executive Officer on 10 November 2015)
WANG Guanghui
HUANG Bingxing

Non-executive Director

CHEN Luhui *(Resigned on 8 September 2015)*

Independent Non-executive Directors

CHAN Yuk Tong
MEI Jianping
WEI Lidong

BOARD COMMITTEES

Audit Committee

CHAN Yuk Tong *(Chairperson)*
MEI Jianping
WEI Lidong

Remuneration Committee

CHAN Yuk Tong *(Chairperson)*
MEI Jianping
WEI Lidong
CHAI Xiu

Nomination Committee

MEI Jianping *(Chairperson)*
CHAN Yuk Tong
CHAI Xiu

COMPANY SECRETARY

LUNG Yuet Kwan *(resigned on 1 March 2016)*
NG Man Kit Micky *(appointed on 1 March 2016)*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3505-3506, 35th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong
Tel: (852) 2209 2888
Fax: (852) 2209 2988
Website: http://www.groundproperties.com

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISOR

Michael Li & Co.

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

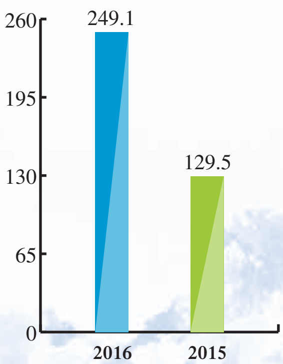
989

Financial Highlights

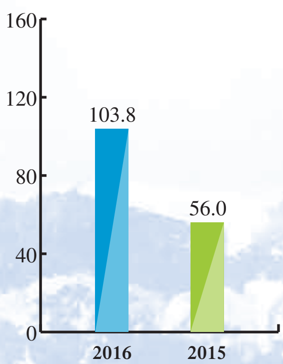
RATIO HIGHLIGHT

	2016	2015
Profitability Financial Ratio		
Gross profit margin	42%	43%
Asset Management Ratios		
Debtor turnover ratio (Days)	58	47
Stock turnover ratio (Days)	136	100
Liquidity Financial Ratios		
Working capital ratio	1.11	1.46
Quick ratio	0.58	1.38
Debt Management Ratios		
Net debt to equity	22%	31%
Gearing ratio	38.1%	68.4%
Interest coverage ratio (times)	(1.56)	(0.11)

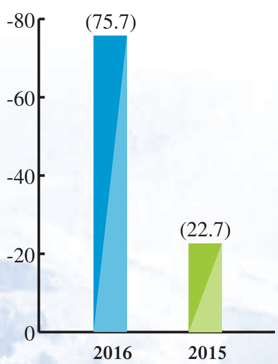
REVENUE
HK$'M



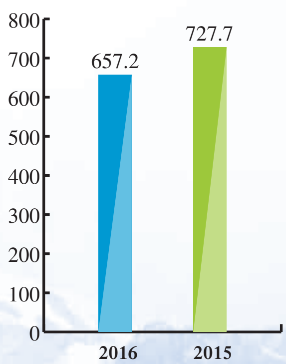
GROSS PROFIT
HK$'M



LOSS FOR THE YEAR
HK$'M

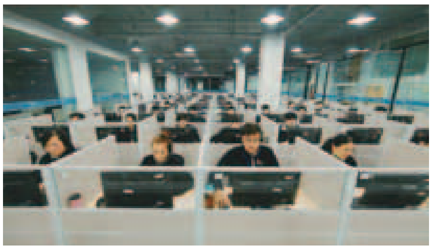


NET ASSETS
HK$'M



Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Ground Properties Company Limited (the "Company"), I submit herewith the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016.



During the year under review, in the face of the increasing popularity and speedy growth of the 4G communication technology and telecommunication network in the People's Republic of China (the "PRC"), regions nationwide have gradually entered into the 4G era. The 4G network deployment and extending of coverage and capacity in different locations as well as enhancement of handset functionality have spurred a new round of demand and development for the telecommunications industry. In the meantime, this trend has also led to an increasing demand on the value-added services surrounding the telecommunication service in the PRC, including call centre and retail store operation. After the acquisition of 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*) ("Shanghai Motion JUNS") and 上海星際通實業有限公司 (Shanghai XingJiTong Shi Ye Company Limited*) ("Shanghai XingJiTong") during the year ended 31 March 2015, the Group has been able to enlarge its market share in the telecommunications retail sales and management businesses. By leveraging its advantage in the channels, the Group has also been able to further expand (i) the retail sales of electronic products, such as mobile accessories; (ii) the retail store operation; and (iii) the call centre operation. The constant efforts of the management team in consolidating and improving workflow have also helped the Group enhance its overall operational efficiency and generate promising revenue.

In addition to telecommunications retail sales and management services, the Group has also continued to develop the property investment as well as property development and management businesses. This strategic direction has enabled it to capture a wide range of market opportunities, inject new momentum into the Group's business development and realise synergies among its different businesses.

The Group remains prudently optimistic about the prospects of the property market in the PRC. While the PRC property market has faced greater downward pressure in the previous year, it has returned to the path of stable growth since the beginning of 2016. According to data published by the National Bureau of Statistics, property development and investment nationwide recorded a year-on-year growth of 6.2% in the first quarter of 2016. The pace of growth was 5.2 percentage points higher than the full year of 2015[1]. The series of austerity measures has led to steady growth in the economy of Jilin. On the provincial level, the gross domestic product of Jilin grew by 6.2% in the first quarter, representing a year-on-year growth of 0.4 percentage point[2]. The Group has further enhanced its market position through ongoing and new initiatives: the smooth progress of the Changbaishan high-end resort and property project in Jilin, the completion of the acquisition of 吉林市萬升房地產開發有限公司 (Jilin Wan Sheng Property Development Company Limited*) ("Jilin Wan Sheng") and the conditional sale and purchase agreement with Ka Yik Investments Limited ("Ka Yik") (a wholly-owned company of Ms. Cui Xintong ("Ms. Cui") also being the ultimate controlling shareholder of the Company) and Ms. Cui in relation to the proposed acquisition of the entire equity interest in Ka Yun Investments Limited ("Ka Yun") (a wholly-owned subsidiary of Ka Yik) at a consideration of HK$4.65 billion that has been approved by The Stock Exchange of Hong Kong Limited and is subject to the satisfaction of the conditions precedents as set out in the relevant sale and purchase agreement and the approval of the Company's independent shareholders at the special general meeting to be held on 25 July 2016. The Group plans to continue to explore other potential acquisition opportunities to further expand its property development business to facilitate the Group's expansion into the residential property development sector. The profitability of its property development and management businesses is expected to improve through the introduction of quality projects with strong growth potential.

Looking ahead, with the rapidly increasing popularity of e-commerce, the telecommunications retail sales and management services segment is expected to continue to report satisfactory results. As for the property development and management and investment businesses, we intend to continue to capture property development opportunities in Jilin as well as launching quality, innovative and competitive projects in the market at the appropriate time. In this way, the Group can set a good foundation in the local market. The Group thereby adheres to its strategy to identify business opportunities with high growth potential and proactively adjust its strategies based on the latest changes in the market.

Last but not least, on behalf of the Board, I would like to express my sincere appreciation to our colleagues for their collective contribution to the Group's development. I would also like to thank our business partners and shareholders for their unwavering support. We resolve to continue to pursue further excellence in the future so as to achieve simultaneous growth of our three business segments and deliver value to our shareholders.

---

1 http://www.stats.gov.cn/tjsj/zxfb/201604/t20160415_1343999.html

2 http://finance.people.com.cn/n1/2016/0424/c1004-28300071.html

Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW

The rapid development of electronic communications technology has presented immense opportunities to the telecommunications industry. The Group has expanded and integrated the telecommunications retail sales and management services segment, and achieved notable growth in the business operation of call centres. It has also rapidly expanded the cooperation with a renowned United States ("US") headphone brand as the exclusive distributor of the brand's headphone products in the PRC as a result of the popularity and wide application of handsets. The Group has focused on strengthening related cooperation and further bolstered the headphone business through diversifying the product structure. At the same time, the Group has also actively grown its property development, management and investment businesses.

During the year under review, the Group has entered into a conditional sale and purchase agreement with Ka Yik Investments Limited ("Ka Yik") and Ms. Cui Xintong ("Ms. Cui") to acquire the entire equity interest in Ka Yun Investments Limited ("Ka Yun") at a consideration of HK$4.65 billion. The Company despatched the circular containing, among other things, details of the transactions at a very substantial acquisition and reverse takeover to shareholders of the Company on 30 June 2016 and it is subject to the satisfaction (or waiver) of the conditions precedents as set out in the relevant sale and purchase agreement and the approval of the Company's independent shareholders of the Company at the special general meeting to be held on 25 July 2016.

The Group also completed the acquisition of the entire equity interest in Jilin Wan Sheng at a consideration of about HK$179.8 million in January 2016. The acquisitions are expected to contribute to the Group's expanding property development business and boost its share of the market in Jilin Province.

For the year ended 31 March 2016, the substantial increase in the Group's revenue and gross profit was attributable to the income from the sales of headphones and the call centre businesses. Overall revenue amounted to approximately HK$249,092,000 (2015: HK$129,494,000), representing a year-on-year growth of 92.4%. Gross profit was HK$103,797,000 (2015: HK$56,007,000). However, when compared to the net loss of approximately HK$22,719,000 for the year ended 31 March 2015, the Group's net loss for the year ended 31 March 2016 rose to approximately HK$75,722,000. The significant increase in the net loss was mainly because of: (i) an increase in the legal and professional fees incurred from approximately HK$7,306,000 in the year ended 31 March 2015 to approximately HK$40,942,000 mainly attributable to the proposed acquisition of Ka Yun and its subsidiaries ("Ka Yun Group") and the acquisition of 吉林市萬升房地產開發有限公司 (Jilin Wan Sheng Property Development Company Limited*) ("Jilin Wan Sheng"); (ii) a foreign exchange loss of approximately HK$11,387,000 realised during the conversion of its Renminbi ("RMB") pledged deposits during the year (2015: approximately HK$2,346,000); and (iii) no significant fair value gain on investment properties being recorded during the year (2015: approximately HK$25,000,000); partially offset by the decrease in equity-settled share-based payment expenses from approximately HK$28,107,000 for the year ended 31 March 2015 to approximately HK$5,770,000 incurred by the Group for the year ended 31 March 2016.

Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW (continued)

Telecommunications Retail Sales and Management Services

After its successful expansion into the telecommunications business through the acquisition of 上海星際通實業有限公司(Shanghai XingJiTong Shi Ye Company Limited*) ("Shanghai XingJiTong") in 2014 (i.e. the financial year ended 31 March 2015), the Group proceeded to integrate and optimise its operations and management models to better cope with the expanding business scale during the year. Consequently, the revenue and profitability of this segment achieved notable growth through a full-year operation during the year ended 31 March 2016 on the Group's call centre operation that was acquired in December 2014 and eight newly acquired retail stores that were acquired in September 2014. During the year, revenue from the telecommunications retail sales and management services segment surged by 91.4% to HK$246,935,000 (2015: approximately HK$129,028,000). Gross profit was HK$101,640,000 (2015: approximately HK$55,629,000) and gross profit margin was 41.2%. Net profit after tax was approximately HK$28,168,000 (2015: approximately HK$12,862,000). Net profit margin was 11.4%. Details of revenue by business operations are set out below:

	Year ended 31 March 2016		Year ended 31 March 2015	
	HK$'000	%	HK$'000	%
Sale of headphones, mobile phones and telecommunications equipment and other products	110,470	44.3	77,005	59.5
Telecommunications call centre service income	68,406	27.5	9,666	7.5
Telecommunications retail sales and management services income	68,059	27.3	42,357	32.7
Rental income	2,157	0.9	448	0.3
Project management income	–	N/A	18	–
	249,092	100.0	129,494	100.0

Retail Services Store Operation – Telecommunications Operator A

The increasing popularity of 4G telecommunications technology and telecommunication network has driven the rapid development of the telecommunications industry. At present, the number of mobile communications users in Shanghai increased to 25,000,000 and the 4G penetration rate reached 70%. Average revenue per user also rose by 40%. Driven by the rapid growth of the industry, the revenue of the retail store business increased by 60.7% to HK$68.1 million and the gross profit also surged by 70% compared to that of last year.

RESULTS AND OPERATIONS REVIEW (continued)

Telecommunications Retail Sales and Management Services (continued)

Retail Services Store Operation – Telecommunications Operator A (continued)

In September 2014, the Group has completed the acquisition of the entire equity interest in Shanghai XingJiTong and added eight retail service stores in prime commercial locations in Shanghai. The Group has continued to manage 27 retail service stores (2015: 28 stores) in Shanghai during the year. It also plans to integrate and optimise distribution of its stores in the coming two-to-three years according to the new town development and the user population. Approximately five retail service stores are expected to be added in 2016-2017. Moreover, the commerce loyalty reward point scheme jointly operated by the Group and the e-commerce platform has progressed well and brought revenue to the Group's core business.

Distributor Collaboration with a Renowned US Headphone Brand

The Group has been collaborating with a renowned US headphone brand since mid 2014 and remains as the exclusive distributor of that brand's popular headphone product series in the People's Republic of China (the "PRC"). The popularity of the handsets has contributed to the rising sales volume of a wide range of handset ancillary products in the market, including headphones. Revenue of this business has soared to HK$108,080,000 and the profitability has also risen significantly.

That brand has strived to enhance product performance and appearance. In a bid to expand headphone distributorship business through leveraging the improved product features of the brand, the Group will diversify sales channels such as adding online sales and broadening its sales network.

Telecommunications Call Centre Services – Telecommunications Operator A

The Group commenced cooperation with telecommunications operator A through the acquisition of 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*) ("Shanghai Motioin JUNS") in December 2014. In this relationship, the Group is responsible for management and operation of outbound and inbound call centres. The development of this business has been satisfactory during the year. The Group has also provided inbound and outbound call centre services in personal living, such as travelling, hotel booking, medical services and ticketing, which has further increased the variety of the type of call centre services it can offer.

Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW (continued)

Since the acquisition of Shanghai Motion JUNS, the phone lines of the call centre have increased from 80 to around 450 while attaining a full utilisation rate. The number of staff has also increased from 110 to 585 as at 31 March 2016. In view of the expanding business needs, the Group has stepped up efforts to interconnect these two businesses. It has shared resources through cooperation between these platforms and strived for better synergies. The Group has also improved operational efficiency and management procedures while optimising service quality in a bid to increase monthly revenue per staff and boost the profitability of this business.

Property Development and Management

Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村) in Jilin Province, the PRC, with 35% equity interest held by the Group, has progressed according to schedule. Phase I and supporting facilities are expected to be completed in late 2016. In addition, the Group also owns the management rights of the Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村), enabling it to create added income streams through providing management services. Given that the project is still at its development stage, this segment did not make any contribution to the Group's revenue during the year.

During the year the Group has completed the acquisition of Jilin Wan Sheng, which is principally engaged in property development in Jilin City. The acquisition of Jilin Wan Sheng is expected to boost the Group's growth and enhance its business scale in property development and management. Jilin Wan Sheng's property project, the remaining part of Phase II of "萬升 • 前城國際" (Wansheng • Qiancheng International*) (the "Property Project") has commenced construction in the second quarter of 2016.

The Company has also signed a conditional sale and purchase agreement with Ka Yik and Ms. Cui Xintong to acquire entire equity interest in Ka Yun Group at a consideration of HK$4,650,000,000 in May 2015. Ka Yun Group is principally engaged in the development of residential, commercial and tourism properties in Jilin Province, the PRC. The completion of the acquisition should further enlarge the scale of property development and management business of the Group and enhance its financial position enabling it to more readily obtain financing as and when needed.

Property Investment

The Group has signed the lease contracts with new tenants after the original ones had expired in April 2014. The new lease contracts have commenced in December 2015, generating approximately HK$2,157,000 of rental income for this segment for the year ended 31 March 2016 (2015: approximately HK$448,000).

PROSPECTS

According to the "Notice for Rectifying and Improving Problems Found in the Second National Census" issued by the Central Government[1], increasing speed and lowering the cost of network implementation and operation is one of the most important issues facing society. Implementation of related policies will increase mobile data usage and the number of 4G users. According to "Statistics of Telecommunications Service for the Full Year 2015 and 4th Quarter"[2] produced by MIIT, the number of broadband users reached 785 million in the PRC, including 289 million new 4G users bringing the total base of 4G users up to 386 million. As a professional telecommunications outsourced services provider, the Group is continuing to maintain close cooperation with existing operators and customers and to actively explore business opportunities with other telecommunications service providers in order to bring additional income through expanding its telecommunications retail sales and management services business. On top of enhancing the service efficiency and quality of call centres, the Group is further optimising the distribution model, exploring opportunities to distribute other international renowned headphone brands and expanding sales channels by working with renowned logistics and internet companies in the PRC aimed at boosting the number of online shoppers. With a comprehensive online and offline sales model, the Group can further optimise product distribution and meet the demands of a wide range of customers.

On the other hand, the Group is aggressively developing its property development and management business. According to the data from the China National Tourism Administration, the domestic tourism market is expanding as domestic tourism revenue reached RMB13.79 billion during the Chinese New Year holiday in 2016, a year-on-year growth of 14.2%[3]. Capitalising on the strengths and rich experience in property investment and management of the management team, the Group's Changbaishan Ground Pine Township International Resort* (長白山廣澤果松小鎮國際度假村) is expected to ride on the momentum from the increasing domestic tourism spending. While tourism assets continue to be optimised in Changbaishan and the number of domestic and foreign tourists continues to increase and the local economy develops, this project is set to generate satisfactory revenue. On the residential project developed in Jilin Wan Sheng, the construction on the remaining land plot has commenced from end of June 2016 and the Directors expect that it will be completed by the end of 2016. The Group intends to fully utilise the management's resources and network in Jilin and formulate a development plan for the residential and commercial property market with strong potential in Jilin Province, and proactively evaluate appropriate development opportunities.

Looking ahead, the Group will capture further business opportunities in its telecommunication business and leverage the strength of its comprehensive operational model to generate sustainable value for its shareholders.

---

1 http://mobile.people.com.cn/BIG5/n/2015/0729/c183008-27378027.html
2 http://www.miit.gov.cn/n1146295/n1652858/n1652930/n4509627/c4625617/content.html
3 http://www.cnta.gov.cn/xxfb/hydt/201602/t20160216_760729.shtml

Management Discussion and Analysis

FINANCIAL REVIEW

KEY CHANGES TO INCOME STATEMENT ITEMS

Revenue

During the year ended 31 March 2016, the Group's revenue increased, by 92.4% or HK$119.6 million, from HK$129.5 million to HK$249.1 million. Each of the Group's major income sources managed to record a significant year-on-year growth at least 40%. In particular, sales of headphones, mobile phones, telecommunications equipment and other products and telecommunications call centre service income contributed 77.1% of the increase in total revenue of the Group.

Gross profit and gross margin

	Year ended 31 March 2016		Year ended 31 March 2015	
	Gross Profit HK$'000	Gross Margin %	Gross Profit HK$'000	Gross Margin %
Sale of headphones, mobile phones and telecommunications equipment and other products	21,842	19.8	17,595	22.8
Telecommunications call centre service income	21,233	31.0	3,525	36.5
Telecommunications retail sales and management services income	58,565	86.1	34,509	81.5
Rental income	2,157	100.0	360	80.4
Project management income	–	N/A	18	100.0
	103,797	41.7	56,007	43.3

The Group's gross profit increased from HK$56.0 million for the year ended 31 March 2015 to HK$103.8 million for the year ended 31 March 2016, representing an increase of HK$47.8 million or 85.3% which was contributed by the telecommunications retail sales and management services of 50.3%, telecommunications call centre service of 37.1% and sales of headphones and mobile phones of 8.9%. The Group's gross margin, however, decreased slightly from 43.3% to 41.7% attributable to the change in the Group's revenue mix whereby telecommunications call centre service with lower gross margin became one of the Group's major revenue and gross profit contributor for the year ended 31 March 2016.

FINANCIAL REVIEW (continued)

KEY CHANGES TO INCOME STATEMENT ITEMS (continued)

Other income

During the year, other income mainly represented (i) interest income of HK$14.8 million primarily in relation to the entrusted loan receivable lent to Jilin Wan Sheng (2015: HK$8.8 million) and of HK$0.6 million in relation to the related pledged bank deposits (2015: HK$0.3 million); and (ii) government subsidy of HK$2.0 million received (2015: HK$0.5 million).

Distribution costs

The increase in the Group's distribution costs from HK$33.3 million for the year ended 31 March 2015 to HK$56.7 million for the year ended 31 March 2016 was primarily attributable to (i) the increase in staff costs of HK$15.4 million resulting from the full-year operation of eight telecommunications retail stores acquired in the last financial year; (ii) the increase in rental expenses of HK$2.8 million contributed by the telecommunications retail stores acquired in the second half of last financial year; and (iii) advertising and promotional activities of HK$2.4 million for the Group's headphone trading operation.

Administrative expenses

During the year, the Group's administrative expenses increased by HK$37.9 million or 58.3% to HK$102.8 million, mainly attributable to (a) the increase in legal and professional fees of approximately HK$33.6 million incurred in respect of the acquisitions of (i) the entire equity interest in Ka Yun Group; and (ii) the entire equity interest in Jilin Wan Sheng; (b) the exchange loss of HK$10.4 million realised upon conversion of the RMB-denominated pledged deposits upon the maturity of the entrusted loan; and (c) the repair and maintenance expenses of HK$3.8 million for the repair and maintenance work on the investment properties in Hong Kong.

Finance costs

The Group's finance costs for the year ended 31 March 2016 were mainly related to interest expenses incurred on bank and other borrowings, including bank loan used for financing the entrusted loan receivable. The interest expenses increased by HK$8.7 million or 52.0% to HK$25.4 million for the year ended 31 March 2016, mainly attributable to the higher interest rates on the promissory notes and the other unsecured loan that was borrowed to re-finance the promissory notes issued in prior years.

Income tax

The Group's current income tax amounted to HK$10.6 million, representing an increase in HK$6.5 million or 159.3% when compared to last financial year. The current income tax was entirely related to the provision for Enterprise Income Tax ("EIT") in the PRC. The increase in current income tax was mainly attributable to the increase in profit generated from the operation in Shanghai.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

KEY CHANGES TO FINANCIAL POSITION

Investment properties

The Group's investment properties are the office premises in Kowloon Bay, Hong Kong. As at 31 March 2016, the fair value of the investment properties of the Group remained at HK$340.0 million (2015: HK$340.0 million). The investment properties were revalued by Savills Valuation and Professional Services Limited, an independent firm of surveyors, on an open market value basis.

Interests in associates

Interests in associates are the Group's investment in the Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村). As at 31 March 2016, the carrying amount of the interests in associates amounted to HK$385.0 million, representing a decrease of HK$1.5 million from HK$386.5 million as at 31 March 2015. The decrease was attributable to the loss incurred with the project as it remained at the initial development stage and no income was generated so far.

Inventories

The Group's inventories are mainly related to the stocks of headphones and other telecommunications accessories. As at 31 March 2016, the inventories amounted to HK$35.2 million (2015: HK$30.9 million). The increase in inventories was mainly attributable to continual expansion of the headphone business and the introduction of new headphone product lines. The inventory turnover days for the year ended 31 March 2016 are 136 days (2015: 100 days); the increase of which were mainly attributable to the increase in average inventory balance for the year ended 31 March 2016 when compared with that for the year ended 31 March 2015 where the trading business of headphones commenced operating in July 2014 (i.e. during the first quarter of last financial year).

Properties under development and completed properties held for sale

The Group's properties held for sale as at 31 March 2016 included completed properties held for sale and properties under development of HK$211.0 million (2015: HK$Nil) and HK$66.0 million (2015: HK$Nil) respectively which are primarily the assets acquired on the acquisition of the entire equity interest in Jilin Wan Sheng.

As at 31 March 2016, the Group's completed properties held for sale and properties under development comprised unrecognised gross floor area of 55,346 sq.m. and 28,629 sq.m. respectively. Included in the completed properties held for sale with unrecognised gross floor area of 18,574 sq.m. were already pre-sold as at 31 March 2016.

FINANCIAL REVIEW (continued)

KEY CHANGES TO FINANCIAL POSITION (continued)

Trade and other receivables

	At 31 March 2016 HK$'000	At 31 March 2015 HK$'000
Trade receivables	51,065	28,537
Other receivables		
– Land development expenditure	151,442	–
– Prepaid business tax and other surcharges	4,851	–
– Other receivables, prepayments and deposits	19,722	13,579
	227,080	42,116

The increase in trade receivables as at 31 March 2016 was in line with the increase in the sales volume from the Group's telecommunications retail sales and management service business. Further details of the Group's credit risk are set out under the section "Financial risks" below.

As at 31 March 2016, land development expenditure made by Jilin Wan Sheng, a subsidiary of the Group, represented monies advanced to the local government for land development works at a land site located at the southern side of the Property Project, the northern side of Xinshui North Street, the western side of Chuanying District Guihua Road and the eastern side of Jiefang Xi Road (南至前城國際項目，北至秀水北街，西至船營區規劃路，東至解放西路) with gross floor area of 170,000 sq.m.. On 26 October 2015, Jilin Wan Sheng entered into an agreement with the local government of Jilin City, Jilin Province, which sets out the principal terms relating to this interest-free advance made to the local government for the land development work (including relocation of existing residents) and arrangement relating to the proposed acquisition of land use right of the land site through the process of tender, auction and listing as required under the laws and regulations of the PRC. The Directors anticipate that the tender, auction and listing process of the land site is expected to take place in 2017.

Entrusted loan receivable

In 2014, the Group entered into an entrusted loan agreement with Jilin Wan Sheng to provide a loan of RMB143.9 million, which was further extended to 25 March 2015, 26 September 2015 and 25 March 2016. The balance was settled in January 2016.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had net current assets of HK$65.2 million (2015: HK$167.0 million), representing a decrease of HK$101.8 million or 61.0%. The liquidity ratio (calculated on the basis of the Group's current assets to its liabilities) of the Group as at 31 March 2016 was 1.11 times (2015: 1.46 times). The decreases in net current assets and liquidity ratio were mainly attributable to the repayment of certain interest-bearing borrowings of approximately HK$288.0 million and partially offset by the increase in (i) working capital for the operation in Shanghai; and (ii) the working capital of Jilin Wan Sheng.

As at 31 March 2016, the Group had outstanding borrowings of HK$250.3 million (2015: HK$497.6 million) which comprised (i) bank borrowings of HK$209.8 million; (ii) interest-free loan from controlling shareholder of HK$2.0 million; and (iii) other unsecured loans of HK$38.4 million inherited upon the acquisition of Jilin Wan Sheng. Of which, the Group's bank and other borrowings of HK$104.3 million were repayable within one year; and the remaining bank and other borrowings of HK$146.0 million were repayable over one year. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to equity holders of the Company as at 31 March 2016 was 22% (2015: 31%).

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 31 March 2016, the Group had commitments in respect of properties under development of HK$96.5 million (2015: HK$Nil) upon the completion of the acquisition of the entire equity interest in Jilin Wan Sheng. The development expenditure will be funded by the Group's internal resources and/or project loans. The Group also had unutilised banking facilities of HK$218 million as at 31 March 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are described below.

Risks pertaining to the telecommunications retail sales and management services business

The core business of the Group is to act as the exclusive distributor for a branded headphones in the PRC or the service provider for telecommunications operator A for the retail store operation or call centre operation. In case the distributorship right is discontinued or the service contracts are terminated or not renewed, it may have a significant impact on the business.

The Group has been and is exploring to diversify into other brands and other markets to avoid over reliance on one particular brand or one single market.

FINANCIAL REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Risks pertaining to the property development and management business

The Group's property projects are located in the PRC and the related assets accounted for 19.9% of the Group's total assets as at 31 March 2016. As such, the Group is subject to the risks associated with the PRC property market. The Group's property development and management business in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial conditions or results of operations.

Risks pertaining to the property investment business

The rental rates and the occupancy rates depend on various factors, including but not limited to, prevailing supply and demand conditions, economic conditions as well as the quality of the properties. There is no assurance that the Group will be able to look for new tenants within a short period of time or procure new leases or renew existing leases at the prevailing market rates.

Financial risks

As a matter of policy, the Group continues to manage the market risks directly relating to its operations and financing activities and does not undertake any speculative derivative trading activities. All treasury risk management activities are carried out in accordance with the Group's policies and guidelines, which are reviewed as and when needed.

Currency risk

As at 31 March 2016, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Renminbi ("RMB"). At 31 March 2016, approximately 93.2% of the Group's total cash and bank balance (including pledged bank deposit) were denominated in RMB and approximately 75.9% of the Group's total borrowings were denominated in Hong Kong Dollars ("HK$"), while 24.1% were denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

The Group will continue to monitor the change in the trend of interest rates and the potential causes that trigger large fluctuation in the exchange rates of HK$ and RMB, and will consider hedging significant foreign currency exposure if necessary so as to mitigate the foreign currency exposure arising from the Group's business operation and to minimize the Group's financial risks.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Financial risks (continued)

Interest rate risk

As at 31 March 2016, 16.2% of the Group's total borrowings were interest free, 8.7% bore interest at a fixed rates of 1.55% per annum, 75.1% of the Group's total borrowings bore interest at floating rates ranging from 3.22% to 3.67%. The Group does not enter into any financial instruments to hedge its interest rate risk exposure.

Credit risk

The Group currently grants a credit period of 30-60 days to its customers. The Group's debtor turnover days of 58 days (2015: 47 days) remains within the Group's credit terms. The increase in turnover days was contributed by the sale of headphones of RMB10.1 million (equivalent to HK$12.3 million) to a new customer in March 2016. A stringent monitoring procedures has put in place to deal with overdue debts and minimize the credit risk of trade receivables.

Liquidity risk

The Group policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

ACQUISITION OF ENTIRE EQUITY INTEREST OF JILIN WAN SHENG

On 11 September 2015, World Rich Management Limited ("World Rich"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement dated 8 October 2015) with Ms. Cui Guiying and Ms. Wang Dongwei (collectively, the "Vendors"), the independent third parties, pursuant to which World Rich conditionally agreed to acquire and the Vendors conditionally agreed to sell the entire equity interest in Jilin Wan Sheng for the consideration of RMB150,000,000 (equivalent to approximately HK$179,820,000). The acquisition was completed in January 2016.

The principal activity of Jilin Wan Sheng is property development in Jilin City. Jilin Wan Sheng is currently developing a residential project called "萬升 • 前城國際" (Wansheng • Qiancheng International*) located at 船營區解放西路 (Jiefang West Road, Chuanying District*) in Jilin City, Jilin Province with a gross floor area of 174,000 square meters. The Property Project is constructed in two phases. Phase I was completed in 2011 and most of the residential units have been sold and delivered. More than half of the residential units of Phase II was completed by the end of 2014 and the remaining part of Phase II has commenced construction in second quarter of 2016.

ACQUISITION OF ENTIRE EQUITY INTEREST OF JILIN WAN SHENG (continued)

The financial information of Jilin Wan Sheng is set out below:

	From 19 January 2016 (date of acquisition) to 31 March 2016 HK$'000	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Revenue	–	284,514	48,086
Gross profit	–	23,710	6,974
Net (loss) profit before taxation	(281)	16,611	(12,657)
Net (loss) profit after taxation	(281)	12,458	(9,492)
Non-current assets	347	341	4,612
Net current assets (liabilities)	123,388	122,981	(73,896)
Net assets (liabilities)	123,735	123,322	(69,284)

PROPOSED ACQUISITION OF KA YUN GROUP

On 26 May 2015, Frontier Power Investments Limited (a wholly-owned subsidiary of the Company) (the "Purchaser") and Ka Yik (the "Vendor") and Ms. Cui (the ultimate controlling shareholder of the Company and the daughter of Ms. Chai Xiu who is an Executive Director of the Company and the chairperson of the Board) entered into the initial agreement (as supplemented by the supplemental agreements dated 3 July 2015 and 22 December 2015 and an extension letter dated 31 March 2016) (together referred to as "sale and purchase agreements"), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the entire issued capital of Ka Yun for the consideration of HK$4,650,000,000 which shall be satisfied partly (i) by allotment and issue new shares by the Company; (ii) by allotment and issue of convertible preference shares by the Company; and (iii) by issue of convertible bonds by the Company (the "Ka Yun Acquisition").

Ka Yun Group is principally engaged in the development, sale and leasing of residential, commercial and tourism properties and property management in the PRC. The Ka Yun Acquisition constitutes a connected transaction, a very substantial acquisition and a reverse takeover under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. As at the date of this report, the Ka Yun Acquisition has not been completed and is conditional upon satisfaction of the conditions precedent as set out in the sale and purchase agreements. Details of the Ka Yun Acquisition were set out in the Company's announcements dated 19 March 2015, 26 May 2015, 3 July 2015, 16 October 2015, 22 December 2015, 31 December 2015 and 31 March 2016 respectively and circular dated 30 June 2016.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2016, the Group did not have any significant investments held.

SHARE CAPITAL

As at 31 March 2016, the Company had 858,450,000 shares of HK$0.05 each in issue (2015: 858,450,000 shares of HK$0.05 each) with total shareholders' fund of the Group amounting to approximately HK$657,218,000 (2015: HK$727,816,000).

CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of property units developed by Jilin Wan Sheng, a wholly-owned subsidiary of the Group that provided guarantees to secure obligation of such purchasers for repayments. As at 31 March 2016, guarantees amounting to HK$107.3 million were given to banks with respect to loans procured by purchasers of property units. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers or (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the year, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. Also, in case of default in payments, the net realizable value of the related property units would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Other than the above, the Group did not have any other significant contingent liabilities as at 31 March 2016 (2015: Nil).

CHARGE ON ASSETS

As at 31 March 2016, the Group had the following assets pledged against bank loans granted:

	At 31 March 2016 HK$'000	At 31 March 2015 HK$'000
Investment properties	340,000	340,000
Pledged deposits	22,537	203,326

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group had 1,009 (2015: 855) full-time staff. The significant increase in the number of full-time staff to 154 was because of the Group's expansion in the call centre operations. Total staff costs (including directors' emoluments) incurred for the year amounted to approximately HK$101,246,000 (2015: HK$52,297,000). The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including discretionary bonus, training allowance and provident fund.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Chai Xiu ("Ms. Chai"), aged 51, was appointed as an Executive Director and the chairperson of the Board in November 2013. She was also the chief executive officer of the Company from November 2013 to November 2015. Ms. Chai is also a member of the Company's Remuneration Committee and Nomination Committee. She is also a director in various subsidiaries of the Company.

Ms. Chai is a businesswoman with over 24 years of working experience primarily in the property and dairy product industries in the People's Republic of China (the "PRC"). Ms. Chai was appointed as a non-independent director, chairperson of the board, legal representative and general manager of 山東華聯礦業控股股份有限公司 (Shangdong Hualian Mining Holdings Ltd.*), a company listed on the Shanghai Stock Exchange (stock code: 600882), in October 2015. Since 2010, she has been the chief executive officer of 廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Limited*) ("Ground Investment Holding"), where she is primarily in charge of the overall operation of its property development and management business in Jilin Province. Ms. Chai is also the chairman of the board of directors of 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*) ("Ground Real Estate"). From 2005 to 2010, she served as the chief executive officer of 吉林省廣澤集團有限公司 (Jilin Guangze Group Company Limited*) where she was responsible for the overall operation and management of the group, including dairy and estate development and management business. From 2001 to 2005, she served as the general manager of 廣澤乳業有限公司 (Ground Dairy Industry Co., Ltd*), where she was responsible for the overall operation and management of the company, including administration, product development, sales and after sales service. Ms. Chai obtained an EMBA degree from Cheung Kong Graduate School of Business in October 2009. She is the mother of Ms. Cui Xintong, the controlling Shareholder and a senior management of the Group. Ms. Chai is also a director of Charm Success Group Limited, which holds shares of the Company.

EXECUTIVE DIRECTORS (continued)

Mr. Wang Guanghui ("Mr. Wang"), aged 47, was appointed as an Executive Director of the Company also in February 2015 and is the director in various subsidiaries of the Company.

Mr. Wang has over 22 years of experience in real estate industry, specializing in construction project development, planning and corporate management. He also has extensive experience in financial management. Mr. Wang joined Ground Real Estate in May 2014 and has been appointed as a director of Ground Real Estate since April 2015. He was a deputy general manager of 復地集團長春兆基房地產開發有限公司 (Shanghai Forte Group Changchun Company*) from July 2007 to September 2013. Mr. Wang joined 新星宇建設集團有限公司 (Firstar Construction Group Limited*) in 1993 and held various positions in 長春新星宇集團房地產開發有限公司 (Changchun Firstar Group Property Development Company Limited*), including chief project manager, group deputy general manager, chief engineer, etc. from 2001 to 2007. Mr. Wang graduated from Harbin University of Civil Engineering and Architecture (now known as Harbin Institute of Technology) in August 1996 and obtained a Bachelor's degree in Civil Engineering from Beijing Jiaotong University in January 2009. He obtained a Master's degree in Project Management and Traffic Engineering from Jilin University in December 2011.

Mr. Huang Bingxing ("Mr. Huang"), aged 47, was appointed as an Executive Director of the Company in February 2015 and is also the director in various subsidiaries of the Company.

Mr. Huang has over 24 years of working experience in the telecommunication services industry in the PRC. He is primarily responsible for the overall operation and management of the Group's telecommunications retail sales and management services business. Mr. Huang obtained an MBA degree from University of Northern Virginia in November 2008.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong ("Mr. Chan"), aged 54, was appointed as an Independent Non-executive Director of the Company, a member and chairperson of Audit Committee and Remuneration Committee and a member of Nomination Committee of the Company in November 2013.

Mr. Chan has over 26 years of extensive experience in corporate finance, financial advisory and management, professional accounting and auditing. He is currently a director of Ascenda Cachet CPA Limited. Mr. Chan has been an independent non-executive director of FDG Electric Vehicles Limited (Stock Code: 729) since November 2006 and Kam Hing International Holdings Limited (Stock Code: 2307) since March 2004, both companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chan had also been an independent non-executive director of 新華文軒出版傳媒股份有限公司 (Xinhua Winshare Publishing and Media Co., Ltd.*) (Stock Code: 811) from April 2007 to July 2013 and was again appointed as an independent non-executive director of such company in February 2016. He had also been an independent non-executive director of each of Ausnutria Dairy Corporation Ltd (Stock Code: 1717) from September 2009 to January 2015, BYD Electronic (International) Company Limited (Stock Code: 285) from March 2009 to June 2013, Daisho Microline Holdings Limited (Stock Code: 567) from September 2004 to August 2013, Global Sweeteners Holdings Limited (Stock Code: 3889) from June 2008 to December 2015, Trauson Holdings Company Limited (Stock Code: 325) (delisted) from June 2010 to July 2013, and a non-executive director of Golden Shield Holdings (Industrial) Limited (in compulsory liquidation) (Stock Code: 2123) from June 2014 to December 2014. Mr. Chan obtained a Bachelor's degree in Commerce from the University of Newcastle, Australia in May 1985 and a Master's degree in Business Administration from the Chinese University of Hong Kong in December 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Mei Jianping ("Mr. Mei"), aged 56, was appointed as an Independent Non-executive Director of the Company, a member and chairperson of Nomination Committee and a member of Audit Committee and Remuneration Committee of the Company in November 2013.

Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business in Beijing, the PRC since 2006. Mr. Mei has been an independent non-executive director of Powerlong Real Estate Holdings Limited (Stock Code: 1238) since June 2008 and of MIE Holdings Corporation (Stock Code: 1555) since November 2010, both of which are listed on the Main Board of the Stock Exchange. He was also appointed as an independent non-executive director of China Greenland Rundong Auto Group Limited (formerly known as "China Rundong Auto Group Limited) (Stock Code: 1365), a company listed on the Main Board of the Stock Exchange, in July 2014. He has published a number of books and articles on topics related to finance. Mr. Mei received a Bachelor's degree in Mathematics from Fudan University, the PRC in July 1982, a Master's degree in Economics and a Doctorate in Economics (Finance) from Princeton University, USA in January 1988 and June 1990 respectively.

Mr. Wei Lidong ("Mr. Wei"), aged 41, was appointed as an Independent Non-executive Director and a member of Audit Committee and Remuneration Committee of the Company in February 2015.

Mr. Wei has over 16 years of experience in equity investments, equity trust and assets management. He currently serves as alternate chairman of China Mergers & Acquisitions Association (the "CMAA") and a director of the CMAA Buyout Funds Committee. Mr. Wei has been a managing partner and president of 北京惠農資本管理有限公司 (Beijing Huinong Capital Management Co., Ltd.), a company specialized in equity investments and risk investments since 2009. During 2007 to 2009, he was a vice president of 北京錦瑞宏泰投資顧問有限公司 (Beijing Jinrui Hongtai Investment Consultant Company Limited*) (formerly known as 北京新天域投資管理有限公司 (Beijing New Horizon Investment Management Company Limited*)), a private equity fund mainly focused in the PRC. He was a senior deputy manager of 中國華融資產管理股份有限公司 (China Huarong Asset Management Co., Ltd.*) from 2001 to 2007. In addition, Mr. Wei is also an expert of developing financial system business in the PRC. Mr. Wei obtained a Bachelor Degree in Engineering from Tsinghua University, the PRC in July 1999.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Zhihao ("Mr. Chen"), aged 42, joined the Group in April 2000 and is currently the general vice president of the telecommunications retail sales and management services business of the Group. He is a supervisor of 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*). Mr. Chen has over 15 years of working experience in the telecommunication services industry in the PRC. He is responsible for the operation and integration of the front office of the telecommunications retail sales and management service business, especially in charge of the mobility department, telephone business department, terminal business department and marketing department of 上海潤迅概念通信產品連鎖銷售有限公司(Shanghai CM Concept Communications Products Franchise Sale Company Limited*). Mr. Chen graduated from 上海機械高等專科學校 (Shanghai Mechanics School*) (now known as University of Shanghai for Science and Technology, the PRC) with major in Foreign Accounting in July 1995.

Ms. Cui Xintong ("Ms. Cui"), aged 26, joined the Company in March 2015 and is currently the business development director of the Company. She is also a director in various subsidiaries of the Company. Ms. Cui is responsible for exploring new business opportunities, formulating business plans and executing systematic prospecting, maintaining relationships with existing and potential business partners, developing, coaching and managing a professional team to deliver excellent service and ensure business sustainability. Ms. Cui was an assistant president of Ground Investment Holding from September 2013 to February 2015 and an assistant vice president of 北京時代風華投資有限公司 (Beijing Times Talent Investment Co., Ltd.*) from July 2011 to December 2011. Ms. Cui obtained her Bachelor degree of Science in Business Administration from Northeastern University, Boston, USA in August 2013. Ms. Cui is the controlling Shareholder of the Company and the daughter of Ms. Chai.

Mr. Ng Man Kit Micky ("Mr. Ng"), aged 40, joined the Company as the finance and investor relations director in January 2015, where he is responsible for the Group's financial management and general management of operation in Hong Kong. Mr. Ng was further appointed as chief financial officer and company secretary of the Company with effect from 1 March 2016. He is a full-time employee of the Company and is responsible for advising the Board on corporate governance matters. He reports to the chairperson of the Board directly and assists the Board in ensuring effective information flow among the Board members and that the Board policy and procedures are followed. Mr. Ng has extensive auditing and accounting experience having been with an international professional accounting firm for 15 years and is a member of Hong Kong Institute of Certified Public Accountants. Mr. Ng obtained his joint degree of Bachelor of Science in Mathematics and Management Science from the University of Hull, United Kingdom in July 1998 and a Postgraduate diploma in Business Administration from the University of Birmingham, United Kingdom in June 1999.

Directors' Report

The Directors submit herewith their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in property investment and holding business, provision of management services for the development of properties including planning, design, budgeting, licensing, contract tendering and contract administration, trading of goods and provision of telecommunications retail sales and management services. The principal activities and other particulars of the Company's subsidiaries are set out in note 38 to the consolidated financial statements.

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

BUSINESS REVIEW

Details of the business review information, including discussion of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business and an analysis of the Group's key financial performance indicators, are set out in the section headed "Management Discussion and Analysis" on pages 6 to 21 to this annual report.

Details of the Group's environmental policies, compliance with laws and regulations and relationship with key stakeholders are discussed below:

Environmental Policies

The Group is committed to the long term sustainability of the environment and communities in which it operates and is committed to build an environmentally-friendly corporation. The Group strives to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

Environment protection

On the environmental side, the principal activities of the Group related to the telecommunications retail sales and management service and the property investment and holding do not generate gas emissions or hazardous materials. The Group also outsourced all of the construction-related work for our property development projects to independent construction companies. The Group's contractors in relation to our property development business are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control, drainage control and noise control.

Community Involvement

The Group supports and encourages staff to actively participate in a wide range of charitable events to raise awareness and concern for the community, and to inspire more people to take part in serving the community.

Directors' Report

BUSINESS REVIEW (continued)

Compliance with Laws and Regulations

The Group continues to update its compliance and risk management policies and procedures, and the senior management are delegated with continuing responsibility to monitor compliance with all significant legal and regulatory requirements. As to the best knowledge of the Board and management, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

Relationships with Key Stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

Employees are regards as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group maintains a good relationship with its customers. It is the Group's mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service. A customer complaint handling mechanism is in place to receive, analysis and study complaints and make recommendations on remedies with the aim of improving service quality.

Suppliers

Sound relationships with key suppliers of the Group are important in supply chain, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. We have developed long-standing relationships with a number of our suppliers and take great care to ensure that they share our commitment to quality and ethics.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated income statement on page 59 to this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 March 2016 (2015: Nil).

RESERVES

Movement in the reserves of the Group and the Company during the year is set out in the consolidated statement of changes in equity on page 63 to this annual report and note 31(a) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2016 calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK$296,892,000 (2015: HK$368,325,000) subject to restrictions as set out in note 31(a) to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movement in share capital and share options of the Company during the year are set out in notes 29(a) and 30 to the consolidated financial statements respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 140 to this annual report.

BORROWINGS

Details of the Group's borrowings as at 31 March 2016 are set out in note 27 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holdings of shares of the Company.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2016.

Directors' Report

DIRECTORS

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

Executive Directors
Ms. CHAI Xiu *(Chairperson)* *(resigned as Chief Executive Officer on 10 November 2015)*
Mr. WANG Guanghui
Mr. HUANG Bingxing

Non-executive Director
Mr. CHEN Luhui *(resigned on 8 September 2015)*

Independent Non-executive Directors
Mr. CHAN Yuk Tong
Mr. MEI Jianping
Mr. WEI Lidong

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

In accordance with the bye-law 86(1) of the Bye-laws, Ms. Chai Xiu ("Ms. Chai") and Mr. Chan Yuk Tong ("Mr. Chan") shall retire from office as Directors by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management are set out on pages 22 to 26 to this annual report.

DIRECTORS' SERVICE CONTRACTS

The Independent Non-executive Directors have a fixed term of appointment of one year from 1 April 2016 and shall be subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws.

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "CONNECTED TRANSACTIONS" in this report, no other transactions, arrangement or contracts of significance in relation to the Group's business to which the Company or its holding company, or any of their subsidiaries was a party and in which a Director or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, Ms. Chai, an Executive Director of the Company, is a director of 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*) ("Ground Real Estate"), which is a group member of Ka Yun Investments Limited ("Ka Yun") and being the holding company of various members of the Ka Yun Group which are principally engaged in property development and investments in the PRC, and is ultimately and beneficially owned by Ms. Cui Xintong, the daughter of Ms. Chai. Therefore, Ms. Chai is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (the "Businesses") pursuant to the Listing Rules.

In addition, as at the date of this report, Mr. Wang Guanghui ("Mr. Wang"), an Executive Director of the Company, is a director and president of Ground Real Estate; and therefore, Mr. Wang is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the Businesses pursuant to the Listing Rules.

Save as disclosed above, as at the date of this report, none of the Directors or their respective associates are interested in any business which competes or is likely to compete, either directly or indirectly, with the Businesses.

Directors' Report

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, the Directors and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which shall or may incur or sustain by or by reasons of any act done, concurred in or omitted in or about the execution of their duties or otherwise in relation thereto. In addition, the Company has appropriate liability insurance coverage for the Directors and officers.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2016, the Directors and chief executives of the Company had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept 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") in the Listing Rules:

(a) Interests in shares of the Company (the "Shares")

Name of Director	Nature of interest	Position	No. of ordinary shares held	Approximate percentage of issued shares *(Note 1)*
Huang Bingxing	Beneficial Owner	Long	169,000	0.02%

(b) Interests in underlying shares of the Company

Name of Director	Nature of interest	Position	No. of underlying shares held *(Note 2)*	Approximate percentage of issued shares *(Note 1)*
Chai Xiu	Beneficial Owner	Long	850,000	0.10%
Wang Guanghui	Beneficial Owner	Long	3,000,000	0.35%
Huang Bingxing	Beneficial Owner	Long	8,000,000	0.93%
Chan Yuk Tong	Beneficial Owner	Long	850,000	0.10%
Mei Jianping	Beneficial Owner	Long	850,000	0.10%

Notes:

1. The percentage is calculated on the basis of 858,450,000 Shares in issue as at 31 March 2016.

2. The underlying shares are share options granted by the Company to the Directors.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (continued)

Save as disclosed above, as at 31 March 2016, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year was the Company, its holding company or any of their subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE PARTIES OTHER THAN DIRECTORS OR CHIEF EXECUTIVES OF THE COMPANY

As at 31 March 2016, interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(a) Interest in Shares

Name of shareholder	**Nature of interest**	**Position**	**No. of ordinary shares held**	**Approximate percentage of issued shares** *(Note 1)*
Cui Xintong ("Ms. Cui") *(Note 2)*	Interest in controlled corporation	Long	901,020,694	104.96%
Charm Success Group Limited ("Charm Success") *(Note 2)*	Beneficial owner	Long	558,020,694	65.00%
Ka Yik Investments Limited ("Ka Yik") *(Note 2)*	Beneficial owner	Long	343,000,000	39.96%

Directors' Report

INTERESTS AND SHORT POSITION OF THE PARTIES OTHER THAN DIRECTOR OR CHIEF EXECUTIVES OF THE COMPANY (continued)

(b) Interest in underlying shares

Name of shareholder	Nature of interest	Position	No. of underlying shares held	Approximate percentage of issued shares *(Note 1)*
Ms. Cui *(Note 3)*	Interest in controlled corporation	Long	5,127,588,235	597.31%
Ka Yik *(Note 3)*	Beneficial owner	Long	5,127,588,235	597.31%

Notes:

1. The percentage is calculated on the basis of 858,450,000 Shares in issue as at 31 March 2016.

2. 901,020,694 Shares consist of 558,020,694 Shares held by Charm Success, a company wholly and beneficially owned by Ms. Cui and 343,000,000 Shares deemed to be held by Ka Yik, a company wholly and beneficially owned by Ms. Cui, under the SFO. Ms. Cui is deemed to be interested in the Shares held by Charm Success and Ka Yik by virtue of being their controlling shareholder under the SFO.

3. Ka Yik is deemed to be interested in 5,127,588,235 underlying shares of the Company under the SFO and Ms. Cui is deemed to be interested in the underlying shares held by Ka Yik by virtue of being its controlling shareholder under the SFO.

Save as disclosed above, as at 31 March 2016, none of the parties had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted by the shareholders of the Company at the annual general meeting held on 5 September 2012 with scheme mandate limit refreshed on 8 August 2014 (the "Share Option Scheme"). Pursuant to the terms of Share Option Scheme, it shall be valid and effective for 10 years from the date of adoption, i.e. 5 September 2012. During the year, no share options were granted by the Company.

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

	Number of share options							
Grantees	As at 1 April 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 March 2016	Date of grant	Exercise period	Exercise price per share option HK$
Directors								
Chai Xiu	850,000	–	–	–	850,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
Wang Guanghui	1,500,000	–	–	–	1,500,000	24/10/2014	24/10/2015 – 23/10/2024	1.200
	1,500,000	–	–	–	1,500,000	24/10/2014	24/10/2016 – 23/10/2024	1.200
Huang Bingxing	4,000,000	–	–	–	4,000,000	24/10/2014	24/10/2015 – 23/10/2024	1.200
	4,000,000	–	–	–	4,000,000	24/10/2014	24/10/2016 – 23/10/2024	1.200
Chen Luhui *(Note)*	8,000,000	–	–	(8,000,000)	–	19/06/2014	19/06/2014 – 18/06/2024	0.980
Chan Yuk Tong	850,000	–	–	–	850,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
Mei Jianping	850,000	–	–	–	850,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
Sub-total	21,550,000	–	–	(8,000,000)	13,550,000			
Employees	1,300,000	–	–	–	1,300,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
	9,475,000	–	–	(3,275,000)	6,200,000	24/10/2014	24/10/2015 – 23/10/2024	1.200
	9,475,000	–	–	(3,275,000)	6,200,000	24/10/2014	24/10/2016 – 23/10/2024	1.200
Others	36,000,000	–	–	–	36,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
Sub-total	56,250,000	–	–	(6,550,000)	49,700,000			
Total	77,800,000	–	–	(14,550,000)	63,250,000			

Note: Mr. Chen Luhui resigned as a director of the Company on 8 September 2015. Pursuant to the Share Option Scheme, the 8,000,000 share options granted to Mr. Chen lapsed on 9 October 2015 (i.e. 1 month following the date of cessation as qualified person) as a result of his resignation.

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the year.

Directors' Report

SHARE OPTION SCHEME (continued)

The major terms of the Share Option Scheme are summarized as follows:

(i) Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions or potential contributions made or to be made by the participants to the Group or any entity in which the Group holds any equity interests (the "Invested Entity"), to motivate the participants to optimise their performance and efficiency for the benefit of the Group or the Invested Entity, and to maintain or attract business relationship with the participants whose contributions are or may be beneficial to the growth of the Group or the Invested Entity.

(ii) Participants

Share options may be granted to the participants, being:

(a) any person being an employee (including any executive director), officer (including any non-executive director and independent non-executive director), substantial shareholder, consultant, agent, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons, or any company beneficially owned by any of the abovementioned category(ies) of persons; or

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

(iii) Total number of shares available for issue

The total number of shares available for issue is 85,845,000 Shares, being 10% of total number of shares in issue as at the date of refreshment of scheme mandate limit on 8 August 2014.

SHARE OPTION SCHEME (continued)

(iv) Maximum entitlement of each participant

In any 12-month period:

(a) for each grantee, not exceeding 1% of the aggregate number of shares for the time being in issue (including exercised, cancelled and outstanding options);

(b) for substantial shareholders and independent non-executive directors, not over 0.1% of the number of shares then in issue and not having aggregate value in excess of HK$5 million (including options exercised, cancelled and outstanding), unless separately approved by independent shareholders at general meeting.

(v) Option period

A 10 years period commencing from the date as specified in the grant letter and expiring on the earliest of the last day of the said period or such time as specified in the Share Option Scheme and/or the grant letter.

(vi) Minimum period for which an option must be held before it can vest

No minimum period before the options can be exercised unless otherwise imposed by the Board at its absolute discretion.

(vii) Payment on acceptance of option

HK$1.00 in cash to be payable on acceptance within 21 days from the date of grant.

(viii) Subscription price

To be determined by the Board and shall be at least the highest of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day;

(b) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option; and

(c) the nominal value of the shares.

Directors' Report

SHARE OPTION SCHEME (continued)

(ix) Life

A period of 10 years commencing on 5 September 2012 (being the date on which the scheme is adopted) and expiring on the tenth anniversary of such date, i.e. 5 September 2022.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Details of the material related party transactions entered into by the Group during the year in the ordinary course of the Group's business are set out in note 34 to the financial statements.

During the year, the Group had the following connected transaction that was not exempt from annual reporting requirement in Chapter 14A of the Listing Rules, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

On 26 May 2015, Frontier Power Investments Limited (a wholly-owned subsidiary of the Company) (the "Purchaser"), Ka Yik (the "Vendor") and Ms. Cui (the ultimate controlling shareholder and senior management of the Company, the controlling shareholder of Ka Yik and the daughter of Ms. Chai, Executive Director of the Company and the chairperson of the Board) entered into a sale and purchase agreement (as amended and supplemented by the supplemental agreements dated 3 July 2015 and 22 December 2015 and an extension letter dated 31 March 2016) (the "Sale and Purchase Agreements"), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the entire issued capital of Ka Yun for the consideration of HK$4,650,000,000 (the "Ka Yun Acquisition") which shall be satisfied partly (i) by allotment and issue of new shares by the Company; (ii) by allotment and issue of convertible preference shares by the Company; and (iii) by issue of convertible bonds by the Company. Ka Yun Group are principally engaged in the development of residential and commercial properties in Jilin Province, the PRC. The Ka Yun Acquisition constitutes a connected transaction, a very substantial acquisition and a reverse takeover under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

The Directors considered that the Ka Yun Acquisition is in the interests of the Company and the shareholders of the Company, excluding those who are required to abstain from voting at the special general meeting to be held for the purposed of, among other things, approving the Sale and Purchase Agreements and the transactions contemplated thereunder, as a whole due to the following reasons:

(a) the Ka Yun Group is already generating profit;

(b) following the completion, the enlarged Group upon the completion of the Ka Yun Acquisition (the "Enlarged Group") can leverage on the platform of the Ka Yun Group to accelerate property development business and create additional value for its Shareholders;

(c) the Enlarged Group will have a larger asset base, thereby stronger capacity to raise funds for its long term development; and

(d) the Ka Yun Group is a local property developer in Jilin Province and its management team and track record can help the Enlarged Group to further develop its property development and management business in Jilin Province and better position the Enlarged Group to expand into other provinces when the opportunity arises.

As at the date of this report, the Ka Yun Acquisition has not been completed. A special general meeting will be convened on 25 July 2016 to, among other things, consider approving the Sale and Purchase Agreements and the transactions contemplated thereunder.

During the year, the Group had the following continuing connected transaction that was not exempt from annual reporting requirement in Chapter 14A of the Listing Rules, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

On 8 December 2012, 撫松廣澤房地產開發有限公司 (Fusong Ground Real Estate Development Company Limited*) ("Fusong Ground", of which the Company is interested in 35% equity interest) and Ace Plus Global Limited ("Ace Plus"), an indirect wholly-owned subsidiary of the Company, entered into a management contract (the "Management Contract"), pursuant to which Ace Plus would provide management services to Fusong Ground in relation to a property development project ("CCT"). The Management Contract does not have any fixed term and is expected to continue until the property development project is completed. Fusong Ground shall pay Ace Plus service fees of (i) 4% of the total costs and expenses incurred by Fusong Ground in the development of the property excluding all expenses relating to the acquisition of the property, tax expenses and finance costs less (ii) the payroll costs.

Directors' Report

CONNECTED TRANSACTIONS (continued)

The Management Contract and the annual cap for each of the six financial years ending 31 March 2019 were approved by the independent shareholders of the Company at the special general meeting held on 18 October 2013. During the year ended 31 March 2016, no management fee was generated to the Group under the Management Contract.

Upon completion of the Ka Yun Acquisition, which is subject to a number of conditions which may or may not be fulfilled, Fusong Ground will become a wholly-owned subsidiary of the Company. The Management Contract will become an intra-group transaction and will cease to be considered as a connected transaction on the part of the Company.

The Independent Non-executive Directors of the Company have reviewed the CCT and confirmed that the transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;
(ii) on normal commercial terms or better; and
(iii) according to the agreement governing it on terms that are fair and reasonable and in interests of the shareholders of the Company as a whole.

The auditors of the Company were engaged to report on the continuing connected transaction of the Group every year. The auditors have provided a letter to the Board confirming that nothing has come to their attention that causes them to believe the CCT:

(i) has not been approved by the Board;
(ii) was not, in all material respects, in accordance with the pricing policies of the Group;
(iii) was not entered into, in all material respects, in accordance with the relevant agreements governing such transaction; and
(iv) has exceeded the annual cap as set by the Company.

EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "CONNECTED TRANSACTIONS" and "SHARE OPTION SCHEME" in this report, the Company did not enter into any equity-linked agreements during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2016 attributable to the Group's major customers and suppliers are as follows:

Sales	
The largest customer	57.4%
Five largest customers combined	94.9%
Purchases	
The largest supplier	50.1%
Five largest suppliers combined	63.1%

None of the Directors, any of their close associates or shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest major customers or suppliers.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the publication of the 2015/16 interim report in December 2015 are set out below:

(a) Ms. Chai Xiu was appointed as a director and chairperson of the board of directors of 山東華聯礦業控股股份有限公司, a company listed on the Shanghai Stock Exchange (Stock Code: 600882) with effect from 8 October 2015;

(b) Mr. Chan Yuk Tong was appointed as an independent non-executive director and the chairperson of the Audit Committee of 新華文軒出版傳媒股份有限公司 (Xinhua Winshare Publishing and Media Co., Ltd.*), a company listed on the Main Board of the Stock Exchange (Stock Code: 811), with effect from 18 February 2016; and

(c) Mr. Chan Yuk Tong had resigned as an independent non-executive director and ceased to act as a member and the chairperson of the audit committee, a member and the chairperson of the corporate governance committee and a member of the continuing connected transactions supervisory committee of Global Sweeteners Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3889), with effect from 24 December 2015.

Directors' Report

CHANGES OF DIRECTORS' INFORMATION (continued)

In addition, there were updates of Directors' information required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2), which had already been disclosed as required by Listing Rules, as set out below:

(a) Mr. Chan Yuk Tong was a non-executive director of Golden Shield Holdings (Industrial) Limited (in compulsory liquidation) (Stock Code: 2123). Golden Shield had been ordered to be wound up on 11 May 2015, which is within 12 months after Mr. Chan's resignation as a director of Golden Shield. Details of which have been disclosed in the Company's announcement dated 29 April 2016.

(b) On 26 May 2016, the Takeovers Executive of the Securities and Futures Commission (the "SFC") issued a public statement (the "Public Statement") that involved criticism on China New Way Investment Limited and its concert parties, including Mr. Wei Lidong, being one of the beneficial shareholders of China New Way, for breach of Rule 31.3 of The Code on Takeovers and Mergers which in relation to a series of acquisitions of shares in China City Construction Group Holdings Limited (Stock Code: 711) (formerly known as Chun Wo Development Holdings Limited) made by China New Way within six months after the close of an offer at above the offer price. Details of which have been disclosed in the Company's announcements dated 30 May 2016 and 13 June 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules throughout the year ended 31 March 2016 and as at the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2016 were audited by Mazars CPA Limited who would retire at the conclusion of the forthcoming annual general meeting and being eligible, offer itself for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

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

On behalf of the Board
Chai Xiu
Chairperson

Hong Kong, 30 June 2016

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Company adopted the principles in the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and complied with all the applicable code provisions during the year except code provision A.2.1 of the CG Code as disclosed below.

Code provision A.2.1 requires the roles of chairperson and chief executive to be separate and should not be performed by the same individual. The roles of chairperson and chief executive of the Company were performed by Ms. Chai Xiu until her resignation as chief executive officer of the Company with effect from 10 November 2015 and remains as the Chairperson of the Board thereafter. Further details of the roles of chairperson and chief executives are set out in the section headed "CHAIRPERSON AND CHIEF EXECUTIVE OFFICER". Since then, the Company has complied with all the applicable code provision of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they complied with the required standard as set out in the Model Code during the year.

THE BOARD

Composition

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

Executive Directors
Ms. CHAI Xiu *(Chairperson)* *(resigned as Chief Executive Officer with effect from 10 November 2015)*
Mr. WANG Guanghui
Mr. HUANG Bingxing

Non-executive Director
Mr. CHEN Luhui *(resigned on 8 September 2015)*

THE BOARD (continued)

Composition (continued)

Independent Non-executive Directors
Mr. CHAN Yuk Tong
Mr. MEI Jianping
Mr. WEI Lidong

During the year, the Board maintained a balanced composition of executive directors and non-executive directors (including independent non-executive directors) which generated a strong independent element to the Board. All Directors are subject to retirement by rotation and re-election at the general meeting of the Company (in case of filling a casual vacancy) or at the annual general meeting of the Company (in case of an addition to the Board) following their appointment and at least once every three years in accordance with the Company's bye-laws (the "Bye-laws"). A list of the Directors identifying their role and function is published on the Stock Exchange's website and the Company's website. The biographical details of the current Directors are set out on pages 22 to 25 to this annual report.

The Board received from each of the Independent Non-executive Directors a written annual confirmation relating to their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of the Independent Non-executive Directors were independent.

To the best knowledge of the Directors, save as Ms. Chai Xiu and Mr. Wang Guanghui's current directorship in 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*), there was no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Responsibilities of the Board and Management

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

Corporate Governance Report

THE BOARD (continued)

Continuous Professional Development

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

During the year, all Directors participated in continuous professional development through reading materials on regulatory updates, director's duties and responsibilities and corporate governance matters and/or attending relevant seminars or courses provided by professional bodies. All Directors have provided the Company with a record of the relevant training undertaken during the year as summarized below:

Directors	Attending seminars/courses provided by professional bodies	Reading Materials
Executive Directors		
Ms. CHAI Xiu	✓	✓
Mr. WANG Guanghui	✓	✓
Mr. HUANG Bingxing	✓	✓
Non-executive Director		
Mr. CHEN Luhui#	✓	✓
Independent Non-executive Directors		
Mr. CHAN Yuk Tong	✓	✓
Mr. MEI Jianping	✓	✓
Mr. WEI Lidong	✓	✓

resigned on 8 September 2015

THE BOARD (continued)

Board Meetings, General Meetings and Attendance of Directors

The Board held nine Board meetings, four of which were the regular ones held at approximately quarterly intervals, an annual general meeting ("AGM") and a special general meeting ("SGM") during the year ended 31 March 2016. The attendance of each Director is as follows:

	Attended/Eligible to attend Board Meeting	AGM	SGM
Ms. CHAI Xiu	9/9	1/1	1/1
Mr. WANG Guanghui	9/9	1/1	0/1
Mr. HUANG Bingxing	9/9	1/1	1/1
Mr. CHEN Luhui#	3/5	0/1	N/A
Mr. CHAN Yuk Tong	9/9	0/1	0/1
Mr. MEI Jianping	6/9	0/1	0/1
Mr. WEI Lidong	9/9	1/1	0/1

resigned on 8 September 2015

Apart from the said Board meetings, routine/operational matters requiring Board approval were arranged by means of circulation of written resolutions with supporting materials. Certain Directors were unable to attend the AGM and/or the SGM due to other prior business commitments.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Prior to the resignation of Ms. Chai Xiu as the chief executive officer of the Company, the roles of chairperson and chief executive officer of the Company were performed by Ms. Chai, who was responsible for overall corporate planning and strategic policy making and managing of day-to-day operations of the Group in the respective roles. The Board considered that the roles of chairperson and chief executive officer performed by Ms. Chai provided the Group with strong and consistent leadership and enabled more effective and efficient planning of long-term strategies and implementation of business plans. The Board also considered that the balance of power and authority was adequately ensured by the effective Board which comprised experienced individuals with a balance of skills and experience appropriate for the requirements of the Group.

Corporate Governance Report

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER (continued)

Upon the resignation of Ms. Chai as the chief executive officer of the Company with effect from 10 November 2015, the roles of the Chairperson of the Board and the chief executive officer of the Company have been separately performed by different individuals. Ms. Chai remains as the Chairperson of the Board while the duties of chief executive officer have been taken up by Mr. Wang Guanghui and Mr. Huang Bingxing, the executive Directors and the president of the Company's respective business units. Both Mr. Wang and Mr. Huang possess extensive experience in managing of day-to-day operations of the Group which enables the Group to maintain its efficient planning of long-term strategies and implementation of business plans as well as compliance with the requirement under the code provision A.2.1, for the purpose of separation of the roles of chairperson and chief executive officer. The Company is in the process of identifying a suitable candidate to assume the role as chief executive officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

As at the date of this report, there are three Independent Non-executive Directors namely Mr. Chan Yuk Tong, Mr. Mei Jianping and Mr. Wei Lidong. All the Independent Non-executive Directors had entered into a letter of appointment with the Company for a fixed term of one year commencing from 1 April 2016 respectively. All the Independent Non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws.

BOARD COMMITTEES

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

Remuneration Committee

The Remuneration Committee comprises all the Independent Non-executive Directors namely Mr. Chan Yuk Tong (Chairperson of the Committee), Mr. Mei Jianping and Mr. Wei Lidong, and an Executive Director namely Ms. Chai Xiu.

The Committee's duties as set out in its terms of reference include, inter alia, formulating and reviewing the Company's policy and structure for the remuneration of all Directors and senior management, determining or making recommendation on the remuneration packages for individual Directors and senior management, and administering and overseeing the Company's share option schemes. No Director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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

The Remuneration Committee held two meetings during the year ended 31 March 2016. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong *(Chairperson)*	2/2
Mr. MEI Jianping	1/2
Mr. WEI Lidong	1/2
Ms. CHAI Xiu	1/2

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

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

Corporate Governance Report

BOARD COMMITTEES (continued)

Nomination Committee

The Nomination Committee comprises two Independent Non-executive Directors namely Mr. Mei Jianping (the Chairperson of the Committee) and Mr. Chan Yuk Tong, and an Executive Director namely Ms. Chai Xiu.

The Committee's duties as set out in its terms of reference include, inter alia, formulating, reviewing and implementing nomination policy for directors, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, receiving nominations from shareholders or directors, assessing the independence of the independent non-executive directors and undertaking an annual performance evaluation of the Board. The terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

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

The Board also adopted a board diversity policy (the "Board Diversity Policy") on 27 June 2013 which sets out its approach to diversity on the Board. The Board recognises and embraces the benefits of board diversity to enhance the quality of performance and endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to, gender, age, cultural and educational background, ethnicity, professional qualification and experience, skills, knowledge and length of service. The Nomination Committee will consider candidates on merit and contribution that they will bring to the Board and then recommended the appropriate person(s) to the Board for consideration. The Nomination Committee will review, as appropriate, and monitor the implementation of the Board Diversity Policy to ensure its effectiveness.

The Nomination Committee held one meeting during the year ended 31 March 2016. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. MEI Jianping *(Chairperson)*	0/1
Mr. CHAN Yuk Tong	1/1
Ms. CHAI Xiu	1/1

BOARD COMMITTEES (continued)

Nomination Committee (continued)

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

(a) To nominate the incumbent directors for re-election;
(b) To review the nomination policy for directors;
(c) To review the Board Diversity Policy;
(d) To review the terms of reference;
(e) To review the structure, size and composition of the Board;
(f) To assess the independence of the Independent Non-executive Directors; and
(g) To evaluate the performance of the Board during the year.

Audit Committee

The Audit Committee comprises all the Independent Non-executive Directors namely Mr. Chan Yuk Tong (the Chairperson of the Committee), Mr. Mei Jianping and Mr. Wei Lidong. One of the three Committee members possesses appropriate professional accounting qualifications and expertise.

The Committee's duties as set out in its terms of reference include, inter alia, reviewing and monitoring the financial reporting, overseeing and reviewing the Company's financial reporting system, internal control procedures, risk management systems and the Group's financial and accounting policies and practices with the management and the auditor and considering the appointment, re-appointment and removal of the auditor and the auditor's remuneration and terms of engagement. The terms of reference of the Audit Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

The Audit Committee held two meetings during the year ended 31 March 2016. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong *(Chairperson)*	2/2
Mr. MEI Jianping	2/2
Mr. WEI Lidong	1/2

Corporate Governance Report

BOARD COMMITTEES (continued)

Audit Committee (continued)

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

(a) To review the annual results for year ended 31 March 2015 and the interim results for six months ended 30 September 2015 and the reports from external auditor, management representation letters and management's response in relation thereto;
(b) To review the accounting policies and practices as well as the financial reporting system of the Group;
(c) To review the terms of reference;
(d) To review the connected transactions/continuing connected transactions incurred during the year ended 31 March 2015 and six months ended 30 September 2015;
(e) To review the practice and procedures relating to related and connected party transactions;
(f) To recommend and/or approve re-appointment of the external auditor and its remuneration;
(g) To review the effectiveness of financial reporting system, risk management and internal control system of the Group; and
(h) To review the structure of financial and accounting department.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

AUDITOR'S REMUNERATION

For the year ended 31 March 2016, the auditor's remuneration amounted to HK$920,000 and HK$5,934,000 in respect of audit services and non-audit services respectively. HK$4,960,000 out of total non-audit services fees is related to the reporting accountant services and internal control services for the Ka Yun Acquisition as defined under the Directors' Report.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

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

The statement of the auditors of the Company about its reporting responsibilities is set out in the "Independent Auditor's Report" on pages 57 and 58 to this annual report.

INTERNAL CONTROL

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

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

COMPANY SECRETARY

Mr. Ng Man Kit Micky, the Company Secretary of the Company, is a full-time employee of the Company and has confirmed that, in compliance with Rule 3.29 of the Listing Rules, he took no less than 15 hours of relevant professional training during the year.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

(a) Procedures for convening special general meetings and putting forward proposals

Pursuant to the Bye-laws, subject to the Companies Act 1981 of Bermuda (as amended), shareholders of the Company holding at the date of deposit of the requisition holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all time have right, by written requisition to the Board or the secretary of the Company, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Shareholders may put forward proposals for consideration at a general meeting in accordance with the Companies Act 1981 of Bermuda (as amended), while the procedures for a shareholder to propose a person other than a retiring director of the Company for election as a Director at a general meeting are available on the Company's website.

(b) Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board, together with their contact information, by post to the principal place of business of the Company or by fax for the attention of the Company Secretary.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining an effective communication with the shareholders and investors of the Company. A shareholders' communication policy adopted by the Board is to ensure the promotion of effective communication. The principal communication channels with shareholders and investors are established as set out below.

General Meetings

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

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

Other Communication Channels

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

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

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

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

The memorandum of association and the bye-laws of the Company are available on the website of the Stock Exchange and the website of the Company. There have been no changes in the said constitutional documents during the year.

By order of the Board
CHAI Xiu
Chairperson

Hong Kong, 30 June 2016

Independent Auditor's Report

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

To the members of
Ground Properties Company Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ground Properties Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 59 to 137, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2016

Chan Wai Man
Practising Certificate number: P02487

Consolidated Income Statement

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	6	**249,092**	129,494
Cost of sales and services		**(145,295)**	(73,487)
Gross profit		**103,797**	56,007
Other income	7	**18,032**	12,284
Distribution costs		**(56,736)**	(33,327)
Administrative expenses		**(102,760)**	(64,907)
Finance costs	9	**(25,443)**	(16,743)
Change in fair value of investment properties	14	**–**	25,000
Share of results of associates	17	**(1,938)**	2,641
Share of results of a joint venture	18	**(35)**	429
Loss before taxation	10	**(65,083)**	(18,616)
Taxation	12	**(10,639)**	(4,103)
Loss for the year		**(75,722)**	(22,719)
(Loss) Profit attributable to:			
Shareholders of the Company		**(75,870)**	(22,713)
Non-controlling interests		**148**	(6)
		(75,722)	(22,719)
Loss per share			
Basic and diluted	13	**(8.84) HK cents**	(2.79) HK cents

Details of dividend for the year are disclosed in note 29(c) to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(75,722)**	(22,719)
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on consolidation	**(434)**	104
Share of other comprehensive income of associates	**435**	(28)
Share of other comprehensive income of a joint venture	**(499)**	–
Total other comprehensive income for the year	**(498)**	76
Total comprehensive income for the year	**(76,220)**	(22,643)
Total comprehensive income for the year attributable to:		
Shareholders of the Company	**(76,368)**	(22,637)
Non-controlling interests	**148**	(6)
Total comprehensive income for the year	**(76,220)**	(22,643)

Consolidated Statement of Financial Position

As at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	14	**340,000**	340,000
Property, plant and equipment	15	**7,711**	6,606
Goodwill	16	**–**	–
Interests in associates	17	**385,029**	386,532
Interests in a joint venture	18	**10,063**	10,597
Deferred tax assets	28	**322**	–
		743,125	743,735
Current assets			
Inventories	19	**35,233**	30,859
Properties under development and completed properties held for sale	20	**277,037**	–
Trade and other receivables	21	**227,080**	42,116
Prepaid income tax		**7,656**	–
Entrusted loan receivable	22	**–**	179,830
Pledged bank deposits	23	**22,537**	203,326
Bank balances and cash	24	**81,946**	71,966
		651,489	528,097
Current liabilities			
Trade and other payables	25	**370,456**	39,656
Deposits from sale of properties	26	**108,754**	–
Bank and other borrowings	27	**104,263**	319,574
Tax payable		**2,824**	1,835
		586,297	361,065
Net current assets		**65,192**	167,032
Total assets less current liabilities		**808,317**	910,767

Consolidated Statement of Financial Position

As at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Bank and other borrowings	27	**146,000**	178,000
Deferred tax liabilities	28	**5,099**	5,099
		151,099	183,099
NET ASSETS		**657,218**	727,668
CAPITAL AND RESERVES			
Share capital	29	**42,923**	42,923
Reserves		**614,295**	684,893
Total capital and reserves attributable to shareholders of the Company		**657,218**	727,816
Non-controlling interests		**–**	(148)
TOTAL EQUITY		**657,218**	727,668

Approved and authorised for issue by the Board of Directors on 30 June 2016 and signed on its behalf by

Chai Xiu
Director

Wang Guanghui
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Attributable to shareholders of the Company											
	Issued capital	Share premium	Reserves on consolidation	Properties revaluation reserve	Exchange reserve	Capital redemption reserve	Contributed surplus	Share option reserve	Accumulated profits	Total	Non-controlling interests	Total equity
		(Note 29(b))		(Note 29(b))	(Note 29(b))	(Note 29(b))	(Note 29(b))	(Note 29(b))				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2014	28,532	43,247	4,900	9,294	3,889	450	210,587	674	134,344	435,917	(142)	435,775
Loss for the year	–	–	–	–	–	–	–	–	(22,713)	(22,713)	(6)	(22,719)
Other comprehensive income:												
Exchange difference on consolidation	–	–	–	–	104	–	–	–	–	104	–	104
Share of other comprehensive income of associates	–	–	–	–	(28)	–	–	–	–	(28)	–	(28)
Total other comprehensive income for the year	–	–	–	–	76	–	–	–	–	76	–	76
Total comprehensive income for the year	–	–	–	–	76	–	–	–	(22,713)	(22,637)	(6)	(22,643)
Shares issued under share option scheme	84	2,066	–	–	–	–	–	(674)	–	1,476	–	1,476
New issue from open offer	14,307	271,843	–	–	–	–	–	–	–	286,150	–	286,150
Share issuing expenses	–	(1,197)	–	–	–	–	–	–	–	(1,197)	–	(1,197)
Equity-settled share-based payment	–	–	–	–	–	–	–	28,107	–	28,107	–	28,107
Lapse of share options	–	–	–	–	–	–	–	(2,798)	2,798	–	–	–
	14,391	272,712	–	–	–	–	–	24,635	2,798	314,536	–	314,536
At 31 March 2015 and at 1 April 2015	42,923	315,959	4,900	9,294	3,965	450	210,587	25,309	114,429	727,816	(148)	727,668
(Loss) Profit for the year	–	–	–	–	–	–	–	–	(75,870)	(75,870)	148	(75,722)
Other comprehensive income:												
Exchange difference on consolidation	–	–	–	–	(434)	–	–	–	–	(434)	–	(434)
Share of other comprehensive income of associates	–	–	–	–	435	–	–	–	–	435	–	435
Share of other comprehensive income of a joint venture	–	–	–	–	(499)	–	–	–	–	(499)	–	(499)
Total other comprehensive income for the year	–	–	–	–	(498)	–	–	–	–	(498)	–	(498)
Total comprehensive income for the year	–	–	–	–	(498)	–	–	–	(75,870)	(76,368)	148	(76,220)
Equity-settled share-based payment	–	–	–	–	–	–	–	5,770	–	5,770	–	5,770
Lapse of share options	–	–	–	–	–	–	–	(5,774)	5,774	–	–	–
	–	–	–	–	–	–	–	(4)	5,774	5,770	–	5,770
At 31 March 2016	42,923	315,959	4,900	9,294	3,467	450	210,587	25,305	44,333	657,218	–	657,218

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	32	**(36,276)**	(57,300)
Interest received		**15,826**	10,659
Interest paid		**(25,266)**	(9,645)
Income tax paid		**(9,650)**	(2,843)
Net cash used in operating activities		**(55,366)**	(59,129)
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		**(3,610)**	(619)
Purchase of net assets	33	**6,871**	–
Acquisition of interest in subsidiaries and other assets		**–**	(12,993)
Decrease (Increase) in entrusted loan receivable		**169,716**	(179,830)
Decrease (Increase) in pledged bank deposits		**169,716**	(203,326)
Net cash from (used in) investing activities		**342,693**	(396,768)
FINANCING ACTIVITIES			
New bank loans raised		**32,203**	202,574
Repayment of bank loans		**(223,919)**	–
Loan from controlling shareholder		**13,500**	–
Repayment of loan from controlling shareholder		**(11,500)**	–
Other loan raised		**98,800**	–
Repayment of other loan		**(98,800)**	–
Repayment of promissory notes		**(85,000)**	–
Proceeds from issue of new shares arising from the exercise of share options		**–**	1,476
Net proceeds from issue of new shares from open offer		**–**	284,953
Net cash (used in) from financing activities		**(274,716)**	489,003
Net increase in cash and cash equivalents		**12,611**	33,106
Cash and cash equivalents at the beginning of the year		**71,966**	38,860
Exchange difference arising on translation		**(2,631)**	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**81,946**	71,966

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

1. GENERAL INFORMATION

Ground Properties Company Limited (the "Company") is a limited liability company incorporated in Bermuda, its shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the property investment and holding business, provision of management services for the development of properties including planning, design, budgeting, licensing, contract tendering and contract administration, trading of goods and provision of telecommunications retail sales and management services. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. In the opinion of directors, Charm Success Group Limited, the immediate holding company of the Company which is incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

2. NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New/revised HKFRSs

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new/revised HKFRSs that are first effective for the current accounting period of the Group. Of these, the changes in accounting policy relevant to the Group's financial statements are as follows:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New/revised HKFRSs (continued)

Impact of new/revised HKFRSs not yet effective

The Group has not early adopted the following new/revised standards, amendments to standards and interpretations, which are applicable to the Group and have been issued but are not yet effective for the financial year beginning on 1 April 2015.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interest in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKFRS 10, and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	Date to be determined
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it is not yet in a position to conclude whether the adoption of them will have a significant impact on the Group's results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements except for the adoption of the new/revised HKFRSs as set out in note 2 to the consolidated financial statements that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

The disclosure requirements set out in the Listing Rules regarding annual financial statements have been amended with reference to the new HKCO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor HKCO or Listing Rules but not under the new HKCO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of measurement

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

Basis of consolidation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

Allocation of total comprehensive income

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

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

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

Investment properties

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Investment properties under development are stated at cost less impairment loss if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

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

Associates and joint venture

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Associates and joint venture (continued)

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate or joint venture is regarded as the fair value on initial recognition as a financial asset.

Goodwill

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Financial instruments

Recognition and derecognition

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement

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

1) *Loans and receivables*

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

2) *Financial liabilities*

The Group's financial liabilities include trade and other payables and bank and other borrowings. All financial liabilities are recognised initially at their fair value and are subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Cash equivalents

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

Revenue recognition

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

(i) Revenue from the sale of headphones, mobile phones, telecommunications equipment and other products is recognised on the transfer of ownership, which generally coincides with the time of delivery.

(ii) Service income from telecommunications call centre services is recognised when the services are rendered.

(iii) Telecommunications retail sales and management services income and project management income are recognised when the services are rendered.

(iv) Rental income is recognised on a straight-line basis over the period of the respective leases.

(v) Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the "Deposits from sale of properties" under current liabilities.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.

- Income and expenses for each income statement are translated at the average exchange rates for the year.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion. Development cost of property comprises mainly construction costs, cost of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties remaining unsold at the end of the reporting period are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

Impairment of non-financial assets, other than goodwill

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases

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

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

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

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

Employee benefits

Short term employee benefits

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

Defined contribution plans

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Long service payments

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

Share-based payment transactions

Equity-settled transactions

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

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

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

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker. The Company's executive directors, who are responsible for allocating resources to, and assessing the performance of, the Group's various lines of business, have been identified as the chief operating decision makers.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Information about other business activities that are not reportable are combined and disclosed in an "Others" category.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the management of the Group has exercised the judgments and is satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability and ageing analysis of the trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of trade receivables after provision for impairment amounted to HK$51,065,000 (2015: HK$28,537,000).

Impairment of investments and receivables

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

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to several phases are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square meters sold multiplied by the average cost per square meter of that particular phase of the project.

PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various cities in the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in estimating the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax liabilities could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management

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

Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong and the PRC and majority of transactions are denominated in HK$ and Renminbi ("RMB"). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group is exposed to foreign exchange risk in respect of exchange fluctuation of HK$ against RMB. At 31 March 2016, if RMB had weakened/strengthened by 1% against HK$, the Group's loss for the year would increase/decrease by HK$1,481,000 (2015: HK$4,134,000). The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank deposits and interest bearing borrowings. Carrying amounts of financial instruments reported on the consolidated statement of financial position approximate their fair values, and the Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

At the end of the reporting period, if interest rates had been 50 basis point (2015: 200 basis point) higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by HK$530,000 (2015: HK$2,291,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for all financial instruments in existence during the year. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

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 pledged bank deposits, bank balance and cash and trade and other receivables. Substantially all of the Group's pledged bank deposits and bank balance and cash were deposited in the creditworthy global banks and stated-controlled financial institutions in the PRC, which management considers they are without significant credit risks. At the end of the reporting period, the Group has concentration of credit risk as the trade receivables from the five largest customers represented 94% (2015: 100%) of the total trade receivables, while 37% (2015: 81%) of the total trade receivables were due from the largest single customer.

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

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial risk management (continued)

Liquidity risk

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

The liquidity risk is under continuous monitoring by management. Management monitors the utilisation of borrowings. At the end of the reporting period, the Board of Directors expected that the Group had no significant liquidity risk in the near future.

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

	Within 1 year or on demand HK$'000	More than 1 year but within 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 March 2016					
Trade and other payables	**368,275**	**–**	**2,181**	**370,456**	**370,456**
Bank and other borrowings	**109,762**	**36,171**	**115,917**	**261,850**	**250,263**
	478,037	**36,171**	**118,098**	**632,306**	**620,719**
At 31 March 2015					
Trade and other payables	39,656	–	–	39,656	39,656
Bank and other borrowings	334,498	37,208	152,088	523,794	497,574
	374,154	37,208	152,088	563,450	537,230

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial risk management (continued)

Liquidity risk (continued)

	2016 HK$'000	2015 HK$'000
Bank and other borrowings		
Interest-bearing borrowings		
Within 1 year or on demand	**63,817**	319,574
1-2 years	**32,000**	32,000
2-5 years	**114,000**	146,000
	209,817	497,574
Non-interest-bearing borrowings		
Within 1 year or on demand	**40,446**	–
	250,263	497,574

(b) Capital management

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

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

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Capital management (continued)

The Group aims at maintaining the net debt to equity ratio of not more than 80%. The net debt to equity ratio is as follows:

	2016 HK$'000	2015 HK$'000
Total debt *(Note a)*	**250,263**	497,574
Less: Bank balances and cash	**(81,946)**	(71,966)
Pledged bank deposits	**(22,537)**	(203,326)
Net debt	**145,780**	222,282
Equity *(Note b)*	**657,218**	727,816
Net debt to equity ratio	**22%**	31%

Notes:

(a) Total debt comprises current and non-current bank and other borrowings as detailed in note 27 to the consolidated financial statements.

(b) Equity represents all capital and reserves attributable to shareholders of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

6. REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 38 to the consolidated financial statements.

The Group's revenue recognised by category is as follows:

	2016	2015
	HK$'000	HK$'000
Sale of headphones, mobile phones, telecommunications equipment and other products	**110,470**	77,005
Telecommunications call centre service income	**68,406**	9,666
Telecommunications retail sales and management services income	**68,059**	42,357
Rental income	**2,157**	448
Project management income	**–**	18
	249,092	129,494

7. OTHER INCOME

	2016	2015
	HK$'000	HK$'000
Interest income	**15,826**	10,659
Government subsidy *(Note)*	**2,017**	538
Bargain purchase on acquisitions of subsidiaries	**–**	989
Sundry income	**189**	98
	18,032	12,284

Note: During the year ended 31 March 2016, the Group received government subsidy from local government authorities as recognition of the Group's contribution in the relevant district in the PRC.

8. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

	Operating segments	Nature of business activities	Place of operation
1	Telecommunications retail sales and management services	Sale of headphones, mobile phones, telecommunications equipment and other products and provision for (i) telecommunications call centre services; and (ii) telecommunications retail sales and management services	The PRC
2	Property investment	Property holding for long term investment and leasing purposes	Hong Kong
3	Property development and management	Property development and provision of management service to property project	The PRC
4	Others	Other businesses including investment holdings	Hong Kong and the PRC

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

8. SEGMENT INFORMATION (continued)

(a) Segment results and other segment information

For the year ended 31 March 2016

	Telecommunications retail sales and management services HK$'000	Property investment HK$'000	Property development and management HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers	246,935	2,157	–	–	249,092
Reportable segment revenue	246,935	2,157	–	–	249,092
Reportable segment results	29,399	(4,747)	(16,558)	(61,587)	(53,493)
Interest income					15,826
Finance costs					(25,443)
Share of results of associates	–	–	(1,938)	–	(1,938)
Share of results of a joint venture	(35)	–	–	–	(35)
Loss before taxation					(65,083)
Taxation					(10,639)
Loss for the year					(75,722)
Assets					
Reportable segment assets	109,749	341,858	826,669	3,877	1,282,153
Deferred tax assets					322
Prepaid income tax					7,656
Unallocated assets					104,483
Total assets					1,394,614
Liabilities					
Reportable segment liabilities	(36,793)	(2,921)	(419,149)	(20,347)	(479,210)
Deferred tax liabilities					(5,099)
Tax payable					(2,824)
Unallocated liabilities					(250,263)
Total liabilities					(737,396)
Other information					
Capital expenditure	3,518	–	25	92	3,635
Depreciation	1,800	–	–	462	2,262
Equity-settled share-based payment expenses	2,419	–	3,351	–	5,770
Significant non-cash expenses (other than depreciation and amortisation)	3	–	–	–	3

8. SEGMENT INFORMATION (continued)

(a) Segment results and other segment information (continued)

For the year ended 31 March 2015

	Telecommunications retail sales and management services HK$'000	Property investment HK$'000	Property development and management HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers	129,028	448	18	–	129,494
Reportable segment revenue	129,028	448	18	–	129,494
Reportable segment results	9,310	18,329	(24,301)	(19,929)	(16,591)
Interest income					10,659
Finance costs					(16,743)
Share of results of associates	–	–	2,641	–	2,641
Share of results of a joint venture	429	–	–	–	429
Bargain purchase on acquisition of subsidiaries	989	–	–	–	989
Loss before taxation					(18,616)
Taxation					(4,103)
Loss for the year					(22,719)
Assets					
Reportable segment assets	263,566	340,460	386,551	5,963	996,540
Unallocated assets					275,292
Total assets					1,271,832
Liabilities					
Reportable segment liabilities	(27,971)	(159)	(18)	(11,508)	(39,656)
Deferred tax liabilities					(5,099)
Tax payable					(1,835)
Unallocated liabilities					(497,574)
Total liabilities					(544,164)
Other information					
Capital expenditure	506	–	–	113	619
Change in fair value of investment properties	–	(25,000)	–	–	(25,000)
Depreciation	736	–	–	439	1,175
Equity-settled share-based payment expenses	1,479	–	19,898	6,730	28,107
Significant non-cash expenses (other than depreciation and amortisation)	59	–	–	–	59

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

8. SEGMENT INFORMATION (continued)

(b) Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties and interests in associates and a joint venture ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and investment properties, and the location of operations, in the case of interests in associates and a joint venture.

	Revenue from external customers	
	2016	2015
	HK$'000	HK$'000
The PRC	**246,935**	129,046
Hong Kong	**2,157**	448
	249,092	129,494

	Specified non-current assets*	
	2016	2015
	HK$'000	HK$'000
The PRC	**401,926**	402,488
Hong Kong	**340,877**	341,247
	742,803	743,735

* Specified non-current assets are total non-current assets excluding deferred tax assets.

Information about major customers

For the year ended 31 March 2016, approximately HK$143,030,000 or 57.4% (2015: approximately HK$48,617,000 or 37.5%) of the Group's external revenue is derived from a single customer in the telecommunications retail sales and management services segment. *(Note)*

Note: The single customer consists of four (2015: two) legal entities which are under common control.

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank loans	**12,216**	9,645
Interest on promissory notes	**5,948**	7,098
Interest on other loan	**7,279**	–
	25,443	16,743

10. LOSS BEFORE TAXATION

This is stated after charging:

	Note	2016 HK$'000	2015 HK$'000
Staff costs (including directors' emoluments)			
Salaries, wages and other benefits		**78,521**	33,016
Equity-settled share-based payment expenses	(a)	**5,770**	12,402
Contributions to defined contribution plans		**16,955**	6,879
		101,246	52,297
Auditor's remuneration			
Current year		**920**	870
Other services		**5,934**	1,527
Cost of inventories		**88,628**	59,409
Depreciation		**2,262**	1,175
Operating lease charges on premises		**12,000**	8,685
Equity-settled share-based payment expenses	(a)	**5,770**	28,107
Exchange loss, net		**13,694**	762
Direct operating expenses arising from investment properties that generated rental income		**107**	89
Direct operating expenses arising from investment properties that did not generate rental income		**5,696**	2,405

Note:

(a) The equity-settled share-based payment expenses of HK$5,770,000 (2015: HK$28,107,000) represented the fair value of 29,950,000 (2015: 84,350,000) share options granted in prior year, of which 29,950,000 (2015: 48,350,000) share options were granted to the directors and employees of the Group with an aggregate fair value of HK$5,770,000 (2015: HK$12,402,000) that has been included in staff costs for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the HKCO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulations are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kinds HK$'000	Discretionary Bonus HK$'000	Retirement scheme contributions HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
2016						
Executive directors:						
Chai Xiu	**–**	**3,789**	**–**	**18**	**–**	**3,807**
Huang Bingxing	**–**	**830**	**–**	**99**	**1,652**	**2,581**
Wang Guanghui	**–**	**600**	**–**	**–**	**619**	**1,219**
Non-executive directors:						
Chen Luhui (c)	**105**	**–**	**–**	**–**	**–**	**105**
Independent non-executive directors:						
Chan Yuk Tong	**240**	**–**	**–**	**–**	**–**	**240**
Mei Jianping	**240**	**–**	**–**	**–**	**–**	**240**
Wei Lidong	**240**	**–**	**–**	**–**	**–**	**240**
	825	**5,219**	**–**	**117**	**2,271**	**8,432**
2015						
Executive directors:						
Chai Xiu	–	4,145	–	18	427	4,590
Cong Hongsong (a)	–	514	–	15	696	1,225
Huang Bingxing (b)	–	120	–	–	998	1,118
Wang Guanghui (b)	–	100	–	–	374	474
Chen Luhui (c)	–	1,028	–	15	3,369	4,412
Non-executive directors:						
Chen Luhui (c)	40	–	–	–	649	689
Ting Pang Wan, Raymond (d)	36	–	–	–	–	36
Independent non-executive directors:						
Chan Yuk Tong	240	–	–	–	427	667
Mei Jianping	240	–	–	–	427	667
Nie Meisheng (e)	144	–	–	–	427	571
Wei Lidong (b)	40	–	–	–	–	40
	740	5,907	–	48	7,794	14,489

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

Notes:

(a) Resigned on 1 February 2015.
(b) Appointed on 1 February 2015
(c) Re-designated from an executive director to a non-executive director on 1 February 2015 and resigned on 8 September 2015
(d) Retired on 8 August 2014
(e) Resigned on 6 November 2014

In addition to the above emoluments, certain directors and employees of the Company or its subsidiaries were granted share options under the share option scheme adopted by the Company. Details of the share options granted by the Company to the individuals are disclosed in note 30.

No directors have waived emoluments in respect of the years ended 31 March 2016 and 2015.

The five individuals whose emoluments were the highest in the Group for the year include three directors (2015: four) whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining two individuals (2015: one) are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and benefits in kinds	**2,388**	1,023
Retirement scheme contributions	**37**	18
Equity-settled share-based payment	**–**	436
	2,425	1,477

The emoluments were paid to individuals as follows:

Emoluments band	**Number of individuals**	
	2016	2015
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**2**	–
	2	1

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

Loans, quasi-loans and other dealings in favour of directors

During the year, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled body corporates and connected entities (2015: Nil).

Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

12. TAXATION

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

PRC Enterprise Income Tax ("EIT") has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC. The statutory EIT rate in the PRC is 25% (2015: 25%).

Land appreciation tax in the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures.

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

The post 2007 earnings are not expected to be distributed in the foreseeable future, and would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of these unremitted retained earnings of these PRC subsidiaries and a joint venture were approximately of HK$2,353,000 (2015: HK$1,647,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for deferred taxation have been made in this respect. For the Group's interests in associates, since all PRC associates have not yet generated any profit, there are no unremitted retained earnings subject to withholding tax.

12. TAXATION (continued)

The major components of income tax charges are:

	Note	2016 HK$'000	2015 HK$'000
Current tax			
PRC Enterprise Income Tax			
Current year		**10,689**	4,103
Over provision in prior year		**(50)**	–
		10,639	4,103
Deferred taxation			
Origination and reversal of temporary difference	28	**–**	–
Total tax charge for the year		**10,639**	4,103

Reconciliation of tax expense

	2016 HK$'000	2015 HK$'000
Loss before taxation	**(65,083)**	(18,616)
Income tax at applicable tax rates	**(10,739)**	(3,072)
Non-deductible expenses	**17,453**	10,413
Tax exempt revenue	**(3,588)**	(8,782)
Tax effect of unused tax losses not recognised	**4,318**	3,574
Over provision in prior years	**(50)**	–
Unrecognised temporary differences	**(281)**	71
Effect on overseas tax rates differences	**3,657**	1,991
Others	**(131)**	(92)
Tax charge for the year	**10,639**	4,103

The applicable tax rate is the Hong Kong profits tax rate of 16.5% (2015: 16.5%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

13. LOSS PER SHARE

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

(a) Number of shares

	2016	2015
Issued ordinary shares at the beginning of the year	**858,450,000**	570,630,000
Effect of share options exercised	**–**	1,670,000
Issue of new shares	**–**	241,362,904
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**858,450,000**	813,662,904

(b) Loss attributable to shareholders of the Company (HK$'000)

	2016	2015
Loss attributable to shareholders of the Company (HK$'000)	**(75,870)**	(22,713)

Diluted loss per share for the years ended 31 March 2016 and 2015 are the same as the basic loss per share because the share options in issue have no dilutive effect and there are no dilutive potential ordinary shares in existence.

14. INVESTMENT PROPERTIES

	2016 **HK$'000**	2015 HK$'000
At fair value		
At the beginning of the year	**340,000**	315,000
Change in fair value	**–**	25,000
At the end of the year	**340,000**	340,000

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

As at 31 March 2016 and 2015, the investment properties were revalued by Savills Valuation and Professional Services Limited, an independent professional qualified valuer, on the market value basis using sales comparison approach and income capitalisation approach. The fair value measurements are set out in note 35 to the consolidated financial statements.

The Group's investment properties with an aggregate carrying value at the end of the reporting period of HK$340,000,000 (2015: HK$340,000,000) were pledged to secure the Group's bank loans as set out in note 27 to the consolidated financial statements.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2016 **HK$'000**	2015 HK$'000
Within 1 year	**6,852**	–
After 1 year but within 5 years	**11,419**	–
	18,271	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 March 2015				
At the beginning of the year	1,904	286	357	2,547
Additions	619	–	–	619
Acquisition of subsidiaries	1,346	2,121	1,181	4,648
Disposals	(5)	–	–	(5)
Depreciation	(619)	(302)	(254)	(1,175)
Exchange differences	54	(15)	(67)	(28)
At the end of the year	3,299	2,090	1,217	6,606
Reconciliation of carrying amount – year ended 31 March 2016				
At the beginning of the year	**3,299**	**2,090**	**1,217**	**6,606**
Additions	**1,414**	**1,214**	**982**	**3,610**
Purchase of net assets (Note 33)	**5**	**–**	**20**	**25**
Disposals	**(3)**	**–**	**–**	**(3)**
Depreciation	**(1,014)**	**(909)**	**(339)**	**(2,262)**
Exchange differences	**(111)**	**(89)**	**(65)**	**(265)**
At the end of the year	**3,590**	**2,306**	**1,815**	**7,711**
At 1 April 2015				
Cost	5,390	9,027	2,649	17,066
Accumulated depreciation	(2,091)	(6,937)	(1,432)	(10,460)
	3,299	2,090	1,217	6,606
At 31 March 2016				
Cost	**6,620**	**10,108**	**3,522**	**20,250**
Accumulated depreciation	**(3,030)**	**(7,802)**	**(1,707)**	**(12,539)**
	3,590	**2,306**	**1,815**	**7,711**

16. GOODWILL

	2016 HK$'000	2015 HK$'000
Cost	–	119,756
Accumulated impairment losses	–	(119,756)
	–	–

Goodwill relating to the CGUs of the telecommunications retail sales and management services business in Shanghai were fully impaired and had already been charged to the consolidated income statements in prior years. Having taken into account that the impairment loss on goodwill cannot be reversed in the future, the Directors considered to be appropriate to write off the cost and accumulated impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

17. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Investment cost	**385,000**	385,000
Accumulated share of post-acquisition change in net assets	**29**	1,532
	385,029	386,532
Impairment loss	**–**	–
	385,029	386,532

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

Name of associates	Principal place of business and place of incorporation	Registered capital	Proportion of registered capital held by the Group 2016	2015	Principal activity
吉林省廣澤旅遊開發有限公司 Jilin Ground Tourism Investment Co., Ltd#	The PRC	RMB10,000,000	**35%**	35%	Investment holding
撫松長白山廣澤旅游開發有限公司 Fusong Changbaishan Guangze Tourism Development Company Limited#	The PRC	RMB10,000,000	**35%**	35%	Development of travel related projects
撫松廣澤房地產開發有限公司 Fusong Guangze Real Estate Development Company Limited#	The PRC	RMB10,000,000	**35%**	35%	Properties development

English translation for identification purposes only.

17. INTERESTS IN ASSOCIATES (continued)

Relationship with associates

Jilin Ground Tourism Investment Co., Ltd. and its subsidiaries ("Jilin Ground Group") are the PRC companies with a scope of business being of tourism information, development of tourism products and management of tourism projects. Having associates in the Group, the management has viewed it as a business opportunity to enter into the PRC property market and to gain experience in property management project through active involvement in a property development project as project manager.

Financial information of material associates

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

	2016 HK$'000	2015 HK$'000
Gross amount		
Current assets	**1,766,120**	1,649,036
Non-current assets	**14,450**	13,699
Current liabilities	**(351,975)**	(565,496)
Non-current liabilities	**(616,992)**	(281,341)
Net assets	**811,603**	815,898
Reconciliation		
Gross amount of net assets	**811,603**	815,898
Group's ownership interests and voting rights	**35%**	35%
Group's share of net assets	**284,061**	285,564
Goodwill	**100,968**	100,968
Carrying amount of interests	**385,029**	386,532

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

17. INTERESTS IN ASSOCIATES (continued)

Financial information of material associates (continued)

	2016 **HK$'000**	2015 HK$'000
Gross amount		
Revenue	**–**	–
(Loss) Profit from operations	**(5,537)**	7,545
Other comprehensive income	**1,243**	(78)
Total comprehensive income	**(4,294)**	7,467

18. INTERESTS IN A JOINT VENTURE

	2016 **HK$'000**	2015 HK$'000
Investment cost	**10,168**	10,168
Accumulated share of post-acquisition changes in net assets	**(105)**	429
	10,063	10,597

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Principal place of business and place of incorporation	Registered capital	Proportion of registered capital held by the Group 2016	2015	Principal activity
上海新華匯訊通信設備銷售有限公司 Shanghai Xinhua Motion Communication Technology Company Limited ("Shanghai Xinhua Motion")#	The PRC	RMB10,000,000	55%	55%	Provision of retail sales and management services

English translation for identification purposes only.

18. INTERESTS IN A JOINT VENTURE (continued)

Relationship with Shanghai Xinhua Motion

Shanghai Xinhua Motion is a company engaging in retail network, selling of telecommunication and mobile products to end users. The Group has adjusted its strategies to enhance the profitability of the business based on the trends in the development of the telecommunications industry. The Group also seeks for the opportunities to cooperate with other telecommunications operators to further expand its telecommunications business and capitalise on its channel advantage for further expansion of the retailing of electronic products, such as mobile accessories.

Classification of Shanghai Xinhua Motion

The Group has 55% equity holdings in Shanghai Xinhua Motion. Based on the memorandum of articles of Shanghai Xinhua Motion, the relevant activities which significantly affects the investee's return required the approval of two-thirds equity voting. Therefore, the Group determined that it has no control but joint control over Shanghai Xinhua Motion.

The joint arrangement is structured as limited company and provides the Group and the joint venture party with rights to the net assets of the limited company under the arrangement. Therefore, Shanghai Xinhua Motion is classified as joint venture of the Group.

Financial information of a joint venture

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

18. INTERESTS IN A JOINT VENTURE (continued)

Financial information of a joint venture (continued)

	2016	2015
	HK$'000	HK$'000
Gross amount		
Current assets	**18,320**	29,554
Non-current assets	**25**	73
Current liabilities	**(48)**	(10,360)
Net assets	**18,297**	19,267
Reconciliation		
Gross amount of net assets	**18,297**	19,267
Group's ownership interests and voting rights	**55%**	55%
Group's share of net assets	**10,063**	10,597
Carrying amount of interests	**10,063**	10,597
Include in above		
Cash and cash equivalent	**9,824**	25,096
Current financial liabilities*	**–**	–
Non-current financial liabilities*	**–**	–

* Exclude trade and other payables and provision

	Year ended 31 March 2016	From the date of acquisition to 31 March 2015
	HK$'000	HK$'000
Gross amount		
Revenue	**14,708**	24,497
(Loss) Profit from operations	**(64)**	780
Other comprehensive income	**(907)**	–
Total comprehensive income	**(971)**	780
Include in above		
Depreciation and amortization	**33**	12
Interest income	**191**	44
Interest expenses	**–**	–
Income tax income	**–**	–
Income tax expenses	**209**	524

19. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	**35,233**	30,859

20. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2016 HK$'000	2015 HK$'000
Properties under development	**66,008**	–
Completed properties held for sale	**211,029**	–
	277,037	–

Note:

The properties under development and completed properties held for sale include costs of acquiring rights to use certain lands, which are located in the PRC for property development. Land use rights are held on a lease period of between 40 and 70 years.

The entire amount of properties under development and completed properties held for sale as at 31 March 2016 are expected to be recognised as cost of sales in the consolidated income statement after more than one year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

21. TRADE AND OTHER RECEIVABLES

	Note	2016 HK$'000	2015 HK$'000
Trade receivables			
Trade receivables from third parties	(a)	**51,065**	28,537
Other receivables			
Prepayments and other receivables		**9,857**	6,219
Deposits		**9,865**	7,360
Land development expenditure	(b)	**151,442**	–
Prepaid business tax and other taxes		**4,851**	–
		176,015	13,579
		227,080	42,116

Notes:

(a) **Trade receivables from third parties**

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 60 days from the date of invoices. The carrying amount of the amounts due approximates their fair values. No allowance for doubtful debts has been made.

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

	2016 HK$'000	2015 HK$'000
0 – 30 days	**38,178**	18,860
31 – 60 days	**7,607**	5,621
61 – 90 days	**2,253**	4,038
Over 90 days	**3,027**	18
	51,065	28,537

21. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(a) Trade receivables from third parties (continued)

Receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$5,280,000 (2015: HK$4,056,000), which are past due at the end of the reporting period for which the Group has not impaired. Receivables that were past due but not impaired relate to a number of independent 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 as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2016 **HK$'000**	2015 HK$'000
Past due for		
0 – 30 days	**4,741**	4,038
31 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**539**	18
	5,280	4,056

(b) Land development expenditure

The balances represented monies advanced to the local government for land development works at a land site. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development irrespective of whether the Group will obtain the land use rights of the land in the future. The entire amount of land development expenditure as at 31 March 2016 is expected to be recovered within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

22. ENTRUSTED LOAN RECEIVABLE

In prior years, the Group entered into a memorandum of understanding to acquire the entire equity interest in Jilin Wan Sheng Property Development Company Limited# (吉林市萬升房地產開發有限公司) ("Jilin Wan Sheng") in the PRC, from two independent third parties.

In addition, the Group entered into an entrusted loan agreement with Jilin Wan Sheng in the PRC (the "Borrower") to grant a loan to the Borrower in the principal amount of RMB143,900,000 (equivalent to approximately HK$179,830,000) through a bank in the PRC. The purpose of the entrusted loan was for the construction cost of residential units relating to property development at a property project and the potential property project to be developed by the Borrower.

The original entrusted loan was for an initial period of 6 months from 26 September 2014 with an interest rate of 10% per annum. On 25 March 2015 and 25 September 2015, entrusted loan extension agreements were signed between the Borrower and the Group that the maturity date of the loan was extended to 26 September 2015 and subsequently to 25 March 2016. The entrusted loan is secured by share charge over the 100% equity interest of the Borrower pursuant to a deed of guarantee dated 25 September 2014, and the trade receivable balance generated from the sale of the property development project of the Borrower. The entrusted loan is neither past due nor impaired.

An amount of RMB143,900,000 (equivalent to approximately HK$179,830,000) (Note 23) out of total amount of pledged bank deposits of HK$179,830,000 has been used to secure the entrusted bank loan shown in note 27 in order to facilitate the entrusted loan receivable.

Prior to the completion of the acquisition of the entire equity interest in Jilin Wan Sheng on 18 January 2016 (Note 33), the entire balance of the entrusted loan receivable was settled.

English translation for identification purpose only.

23. PLEDGED BANK DEPOSITS

Included in the balance as at 31 March 2015 was a pledged bank deposit of RMB143,900,000 (equivalent to approximately HK$179,830,000) which had been used to pledge as cash collateral for the entrusted loan obtained from a bank in the PRC and for the purpose of the entrusted loan receivable made to an independent third party. The details of which are set out in note 22 and note 27(b)(iv) to the consolidated financial statements.

The short-term pledged bank deposit of RMB18,800,000 (equivalent to approximately HK$22,537,000) (2015: HK$23,496,000), as at 31 March 2016, is pledged as cash collateral for the operation to a wholly-owned subsidiary in the PRC as trust receipt loan, details of which are set out in note 27(b)(iii) to the consolidated financial statements.

Pledged bank deposits in terms of currencies (expressed in HK$) are as follows:

	2016 **HK$'000**	2015 HK$'000
RMB	**22,537**	203,326

24. BANK BALANCES AND CASH

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

Bank balances and cash in terms of currencies (expressed in HK$) are as follows:

	2016 **HK$'000**	2015 HK$'000
HK$	**6,825**	6,495
RMB	**74,793**	64,553
Others	**328**	918
	81,946	71,966

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

25. TRADE AND OTHER PAYABLES

	Note	2016 HK$'000	2015 HK$'000
Trade payables	(a)	**39,186**	20,443
Accrued construction cost		**40,992**	–
Accrued charges and other creditors		**75,192**	11,046
Deposits received		**3,937**	119
Due to a joint venture	(b)	**8,391**	–
Consideration payable on purchase of net assets	33	**179,820**	–
Interest payable		**22,938**	8,048
		370,456	39,656

Notes:

(a) Trade payables

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

	2016 HK$'000	2015 HK$'000
0 – 30 days	**29,446**	19,332
31 – 60 days	**5,553**	286
61 – 90 days	**159**	170
Over 90 days	**4,028**	655
	39,186	20,443

(b) Due to a joint venture

The amount due to a joint venture is unsecured, interest-free and has no fixed repayment term.

26. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties in the amount of RMB90,719,000 (equivalent to approximately HK$108,754,000) as at 31 March 2016 is expected to be recognised as income in the consolidated income statement after more than one year.

27. BANK AND OTHER BORROWINGS

(a) The security and maturity of the bank and other borrowings are analysed as follows:

	2016 HK$'000	2015 HK$'000
Secured	**209,817**	412,574
Unsecured	**40,446**	85,000
	250,263	497,574
Amount repayable:		
Within one year	**104,263**	319,574
In the second year	**32,000**	32,000
In the third to fifth years, inclusive	**114,000**	146,000
	250,263	497,574
Portion classified as current liabilities	**(104,263)**	(319,574)
Non-current portion	**146,000**	178,000

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

27. BANK AND OTHER BORROWINGS (continued)

(b) At 31 March 2016, the bank and other borrowings consist of the followings.

	Note	2016 HK$'000	2015 HK$'000
Interest-bearing borrowing			
Secured bank loans	(i)	**188,000**	210,000
Unsecured promissory notes	(ii)	**–**	85,000
Trust receipt loan	(iii)	**21,817**	22,744
Entrusted loan	(iv)	**–**	179,830
		209,817	497,574
Non interest-bearing borrowing			
Loan from controlling shareholder	(v)	**2,000**	–
Unsecured other loans	(vi)	**38,446**	–
		40,446	–
		250,263	497,574

Notes:

(i) Secured bank loans of HK$188,000,000 (2015: HK$210,000,000) are pledged by the investment properties of the Group (Note 14). Apart from investment properties, corporate guarantee was provided by the associates of the Group.

The secured bank loans bear interest at HIBOR plus 3% per annum. Included in the secured bank loans as at 31 March 2016 is a loan balance of HK$60,857,000 (2015: HK$60,000,000) that the loan agreements contain clauses which give the bank the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the terms as set out in the loan agreement. However, the bank confirmed in writing that the bank will not demand for repayment on the amount of HK$50,857,000 (2015: HK$60,000,000) and such amount are not repayable within the next twelve months. Thus, such portion of loan balance has been reclassified as bank and other borrowings under non-current liabilities. The remaining HK$10,000,000, together with an amount of HK$32,000,000 (2015: HK$32,000,000) that is repayable within the next twelve months in accordance with the repayment schedule as stated in the loan agreement, are classified as interest-bearing borrowings under current liabilities.

27. BANK AND OTHER BORROWINGS (continued)

(b) (continued)

Notes: (continued)

(ii) The unsecured promissory notes of HK$85,000,000 issued by the Company on 29 October 2013 was part of the purchase consideration in connection with the acquisition of the entire equity interest in Ace Plus Global Limited and its subsidiaries in October 2013.

The promissory notes were unsecured and bore interest at rates ranging from 4% to 12% per annum depending on the repayment date of the principal amount(s). The initial maturity date of the promissory notes was 28 October 2014 with an option to extend for a further period of one year which the Company had exercised such option to extend the maturity date to 28 October 2015 and the promissory notes were redeemed upon maturity.

(iii) The trust receipt loan of RMB18,200,000 (approximately of HK$21,817,000) (2015: HK$22,744,000) is pledged by a bank deposit of RMB18,800,000 (approximately of HK$22,537,000) (2015: HK$23,496,000) *(Note 23)* made with a bank in the PRC. This loan bears an interest at a fixed rate of 1.55% per annum and is repayable in September 2016.

(iv) As at 31 March 2015, the entrusted loan of RMB143,900,000 (approximately of HK$179,830,000) was pledged by a bank deposit of RMB143,900,000 (approximately of HK$179,830,000) made with a bank in the PRC for the purpose of the entrusted loan receivable made to an independent third party (Note 22). The loan was repaid during the year.

(v) Loan from controlling shareholder with initial loan principal of HK$5,000,000 is unsecured and interest free. The amount of HK$3,000,000 was repaid on 18 March 2016 and the remaining balance has been repaid subsequent to the year end date.

(vi) Jilin Wan Sheng, a wholly-owned subsidiary of the Group, entered into borrowing arrangements with twenty-nine individual third parties in prior years. All the borrowings were unsecured, bore fixed interest rates ranging from 15% to 42% per annum and were repayable within one year or on demand. Pursuant to supplemental agreements entered into with the remaining twenty individual third parties in 2014, these borrowing arrangements became interest free effective from 30 September 2014 and repayable on demand.

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

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 5. As at 31 March 2016, none of the covenants relating to drawn down facilities had been breached (2015: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

28. DEFERRED TAXATION

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

Recognised deferred tax liabilities (assets)

	Tax losses HK$'000	Accelerated depreciation allowances HK$'000	Total HK$'000
At 1 April 2014	–	5,099	5,099
Charged to profit or loss	–	–	–
At 31 March 2015	–	5,099	5,099
At 1 April 2015	–	5,099	5,099
Purchase of net assets *(Note 33)*	(322)	–	(322)
At 31 March 2016	(322)	5,099	(4,777)

Unrecognised deferred tax assets arising from

	2016 HK$'000	2015 HK$'000
Deductible temporary differences	**2,554**	901
Tax losses	**232,819**	355,136
At the end of the year	**235,373**	356,037

The Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. The tax losses do not expire under current tax legislation except for tax loss of HK$425,716 (2015: HK$Nil) that relate to subsidiaries operating in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of five years from the year in which the loss was incurred.

29. SHARE CAPITAL, RESERVES AND DIVIDEND

(a) Share Capital

	2016 No. of shares	2016 HK$'000	2015 No. of shares	2015 HK$'000
Ordinary shares of HK$0.05 each				
Authorised:				
Ordinary shares of HK$0.05 each as at 1 April 2015 (2015: HK$0.01 each) *(Note (i))*	**15,600,000,000**	**780,000**	78,000,000,000	780,000
Share consolidation for every five shares of HK$0.01 into one consolidated share of HK$0.05 each *(Note (ii))*	**–**	**–**	(62,400,000,000)	–
Ordinary shares of HK$0.05 each as at 31 March	**15,600,000,000**	**780,000**	15,600,000,000	780,000
Issued and fully paid:				
Ordinary shares of HK$0.05 each as at 1 April 2015 (2015: HK$0.01 each) *(Note (i))*	**858,450,000**	**42,923**	2,853,150,000	28,532
Exercise of share options	**–**	**–**	8,350,000	84
Share consolidation for every five shares of HK$0.01 into one consolidated share of HK$0.05 each *(Note (ii))*	**–**	**–**	(2,289,200,000)	–
Open offer of HK$0.05 each *(Note (iii))*	**–**	**–**	286,150,000	14,307
Ordinary shares of HK$0.05 each as at 31 March	**858,450,000**	**42,923**	858,450,000	42,923

Notes:

(i) The number of shares as at 1 April 2014 was presented as before the Share Consolidation.

(ii) Pursuant to the share consolidation became effective on 15 May 2014, every five issued and unissued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05. (as defined as "Share Consolidation").

(iii) On 28 May 2014, the open offer was completed. The subscription price for the open offer is HK$1.00 per consolidated share, which an amount of approximately HK$271,843,000 was created in the share premium account. The number of shares issued pursuant to the open offer was, therefore, presented as after the Share Consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

29. SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

(b) Reserves

Share premium and capital redemption reserve

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

Properties revaluation reserve

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

Exchange reserve

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

Contributed surplus

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

Share option reserve

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

(c) Dividend

The directors do not recommend the payment of any dividend for the year ended 31 March 2016 (2015: Nil).

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

A new share option scheme (the "2012 Share Option Scheme") was adopted by the shareholders of the Company at the Company's annual general meeting on 5 September 2012 with scheme limit refreshed on 8 August 2014.

The terms and conditions of the share options granted under the 2012 Share Option Scheme were as follows:

2012 Share Option Scheme

	Number of share options					
Grantee	Outstanding as at 1 April 2015	Cancelled/ lapsed during the year	Outstanding as at 31 March 2016	Date of grant	Exercise period	Exercise price per share option
						HK$
Directors						
Chai Xiu	850,000	–	850,000	19/06/2014	19/06/2014 - 18/06/2024	0.98
Wang Guanghui	1,500,000	–	1,500,000	24/10/2014	24/10/2015 - 23/10/2024	1.20
	1,500,000	–	1,500,000	24/10/2014	24/10/2016 - 23/10/2024	1.20
Huang Bingxing	4,000,000	–	4,000,000	24/10/2014	24/10/2015 - 23/10/2024	1.20
	4,000,000	–	4,000,000	24/10/2014	24/10/2016 - 23/10/2024	1.20
Chen Luhui	8,000,000	(8,000,000)	–	19/06/2014	19/06/2014 - 18/06/2024	0.98
Chan Yuk Tong	850,000	–	850,000	19/06/2014	19/06/2014 - 18/06/2024	0.98
Mei Jianping	850,000	–	850,000	19/06/2014	19/06/2014 - 18/06/2024	0.98
Sub - total	21,550,000	(8,000,000)	13,550,000			
Options granted to employees	1,300,000	–	1,300,000	19/06/2014	19/06/2014 - 18/06/2024	0.98
	9,475,000	(3,275,000)	6,200,000	24/10/2014	24/10/2015 - 23/10/2024	1.20
	9,475,000	(3,275,000)	6,200,000	24/10/2014	24/10/2016 - 23/10/2024	1.20
Others	36,000,000	–	36,000,000	19/06/2014	19/06/2014 - 18/06/2024	0.98
Sub-total	56,250,000	(6,550,000)	49,700,000			
Total	77,800,000	(14,550,000)	63,250,000			

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

In respect of share options of the Company granted to the directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 March 2016 and 2015, estimated in accordance with the Group's accounting policy in note 3, was as follows:

	2016 **HK$'000**	2015 HK$'000
Chai Xiu	**–**	427
Chen Luhui	**–**	4,018
Cong Hongsong	**–**	696
Chan Yuk Tong	**–**	427
Mei Jianping	**–**	427
Nie Meisheng	**–**	427
Huang Bingxing	**1,652**	998
Wang Guanghui	**619**	374
	2,271	7,794

The fair values of options granted during the year ended 31 March 2016 were determined at the grant date using the Binomial Model. Other than the exercise price mentioned above, significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, is required in applying Binominal Model, which is summarised as below:

	Date of grant	
	19/6/2014	**24/10/2014**
Weighted average share price at the grant date	0.98	0.91
Risk-free rate	2.02%	1.75%
Dividend yield	0%	0%
Expected volatility	49.89%	49.12%

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

The weighted average exercise prices of share options outstanding as at 31 March 2016 and 2015 are as follows:

	2016		2015	
	Weighted average exercise price in HK$ per share	**Number of share options ('000)**	Weighted average exercise price in HK$ per share	Number of share options ('000)
At the beginning of the year	**1.0692**	**77,800**	0.1768 (i)	8,350
Granted	**N/A**	**–**	1.0678 (ii)	84,350
Exercised	**N/A**	**–**	0.1768 (i)	(8,350)
Lapsed	**1.0790**	**(14,550)**	1.0371 (iii)	(6,550)
At the end of the year	**1.0614**	**63,250**	1.0692 (ii)	77,800

The weighted average share price at the date of share options exercised was HK$Nil (2015: HK$1.08).

At the end of the reporting period, the number of exercisable options were 51,550,000 (2015: 47,850,000).

Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	**Exercise price**	**2016 Numbers**	2015 Numbers
19/06/2014 – 18/06/2024	0.98	**39,850,000**	47,850,000
24/10/2015 – 23/10/2024	1.20	**11,700,000**	14,975,000
24/10/2016 – 23/10/2024	1.20	**11,700,000**	14,975,000
		63,250,000	77,800,000

Notes:

(i) The number of share and average exercise price were presented as before the effect of Share Consolidation.

(ii) The number of share and average exercise price were presented as after the effect of Share Consolidation.

(iii) Of the total number of lapsed share options, 8,000,000 share options (2015: 2,350,000 share options) were granted to former directors and the remaining 6,550,000 share options (2015: 4,200,000 share options) were granted to employees and others providing similar services.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Summary of the 2012 Share Option Scheme is as follows:

1)	Purpose	To recognise and acknowledge the contributions or potential contributions made or to be made by the participant to the Group or any entity in which the Group holds any equity interests (the "Invested Entity"), to motivate the participants to optimise their performance and efficiency for the benefit of the Group or the Invested Entity, and to maintain or attract business relationship with the participants whose contributions are or may be beneficial to the growth of the Group or the Invested Entity.
2)	Participants	Share options may be granted to the participants, being: (a) any person being an employee (including any executive director), officer (including any non-executive director and independent non-executive director), substantial shareholder, consultant, agent, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons, or any company beneficially owned by any of the abovementioned category(ies) of persons; or (b) any other person who the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group or Invested Entity based on his performance and/or years of service, or is regarded as valuable resources of the Group or the Invested Entity based on his work experience, knowledge in the industry and other relevant factors, or is expected to be able to contribute to the prosperity, business development or growth of the Group or the Invested Entity based on his/its business connection or network or other relevant factors.
3)	Total number of shares available for issue	85,845,000 shares, being 10% of the total numbers of shares in issue as at the date of refreshment of scheme mandate limit on 8 August 2014.
4)	Maximum entitlement of each participant	In any 12-month period: (a) for each grantee, not exceeding 1% of the aggregate number of shares for the time being in issue (including both exercised and outstanding options); (b) for substantial shareholders and independent non-executive directors, not over 0.1% of the number of shares then in issue and not having aggregate value in excess of HK$5 million (including options exercised, cancelled and outstanding); unless separately approved by independent shareholders at general meeting.

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Summary of the 2012 Share Option Scheme is as follows: (continued)

5)	Option period	A period commencing on the date as specified in the grant letter and expiring on the earliest of the last day of the said period or such time as specified in the scheme and/or the grant letter but not more than 10 years from the date of grant.
6)	Minimum period for which an option must be held before it can vest	No minimum period before the options can be exercised unless otherwise imposed by the Board at its absolute discretion.
7)	Payment on acceptance of option	HK$1.00 in cash to be payable on acceptance within 21 days from the date of grant.
8)	Subscription price	To be determined by the Board and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day; (b) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option; and (c) the nominal value of the shares.
9)	Life	A period of 10 years commencing on 5 September 2012 (being the date on which the scheme is adopted) and expiring on the tenth anniversary of such date, i.e. 5 September 2022.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 March 2016 HK$'000	31 March 2015 HK$'000
Non-current asset			
Interests in subsidiaries		**860,191**	991,109
		860,191	991,109
Current assets			
Trade and other receivables		**109**	1,864
Bank balances and cash		**2,979**	39,947
		3,088	41,811
Current liabilities			
Trade and other payables		**19,055**	10,263
Interest-bearing borrowings		**42,000**	117,000
		61,055	127,263
Net current liabilities		**(57,967)**	(85,452)
Total assets less current liabilities		**802,224**	905,657
Non-current liabilities			
Interest-bearing borrowings		**146,000**	178,000
		146,000	178,000
NET ASSETS		**656,224**	727,657
CAPITAL AND RESERVES			
Share capital		**42,923**	42,923
Reserves	(a)	**613,301**	684,734
Total capital and reserves attributable to shareholders of the Company		**656,224**	727,657
Non-controlling interests		**–**	–
TOTAL EQUITY		**656,224**	727,657

Approved and authorised for issue by the Board of Directors on 30 June 2016 and signed on its behalf by

Chai Xiu
Director

Wang Guanghui
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

(a) Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2014	43,247	450	263,441	674	97,669	405,481
Shares issued under share option scheme	2,066	–	–	(674)	–	1,392
New issue from open offer	271,843	–	–	–	–	271,843
Shares issuing expenses	(1,197)	–	–	–	–	(1,197)
Equity-settled share-based payment	–	–	–	28,107	–	28,107
Lapse of share options	–	–	–	(2,798)	2,798	–
Loss for the year	–	–	–	–	(20,892)	(20,892)
At 31 March 2015	315,959	450	263,441	25,309	79,575	684,734
At 1 April 2015	**315,959**	**450**	**263,441**	**25,309**	**79,575**	**684,734**
Equity-settled share-based payment	**–**	**–**	**–**	**5,770**	**–**	**5,770**
Lapse of share options	**–**	**–**	**–**	**(5,774)**	**5,774**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**(77,203)**	**(77,203)**
At 31 March 2016	**315,959**	**450**	**263,441**	**25,305**	**8,146**	**613,301**

32. CASH USED IN OPERATIONS

	2016 HK$'000	2015 HK$'000
Loss before taxation	**(65,083)**	(18,616)
Interest income	**(15,826)**	(10,659)
Interest expenses	**25,443**	16,743
Share of results of associates	**1,938**	(2,641)
Share of results of a joint venture	**35**	(429)
Depreciation	**2,262**	1,175
Bargain purchase on acquisition of subsidiaries	**–**	(989)
Change in fair value of investment properties	**–**	(25,000)
Write off of doubtful trade and other receivables	**–**	54
Loss on disposal of property, plant and equipment	**3**	5
Exchange difference arising on translation	**10,535**	132
Equity-settled share-based payment expenses	**5,770**	28,107
Increase in inventories	**(6,711)**	(28,627)
Increase in properties under development and completed properties held for sale	**(6,337)**	–
Increase in trade and other receivables	**(23,004)**	(22,149)
Increase in trade and other payables	**34,699**	5,594
Cash used in operations	**(36,276)**	(57,300)

33. PURCHASE OF NET ASSETS

Acquisition of 100% equity interest in Jilin Wan Sheng

In September 2015, the Group entered into an agreement (as supplemented by a supplemental agreement in October 2015) with two independent third parties to acquire 100% equity interest in Jilin Wan Sheng (referred to as the "Wansheng Acquisition") for a consideration of RMB150,000,000 (equivalent to approximately HK$179,820,000) as disclosed in the Company's announcement dated 11 September 2015.

The principal activity of Jilin Wan Sheng is the property development in Jilin City, Jilin Province of the PRC. The Wansheng Acquisition represented an opportunity to expand the Group's property development and management segment and capitalise on its channel advantage to further expand into the property market in Jilin Province.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2016

33. PURCHASE OF NET ASSETS (continued)

Acquisition of 100% equity interest in Jilin Wan Sheng (continued)

As at the date of acquisition, the major assets held by Jilin Wan Sheng are the properties under development and completed properties held for sale. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the Directors are of the opinion that the Wansheng Acquisition is a purchase of net assets which does not constitute a business combination for accounting purposes.

The Wansheng Acquisition had the following effect on the Group's assets and liabilities:

	Fair value upon Wansheng Acquisition HK$'000
Property, plant and equipment	25
Deferred tax assets	322
Properties under development and completed properties held for sale	267,316
Trade and other receivables	164,084
Prepaid income tax	7,530
Cash and cash equivalents	6,871
Trade and other payables	(122,156)
Deposits from sale of properties	(106,349)
Other borrowings	(37,823)
Net assets	179,820
Satisfied by:	
Cash consideration included in trade and other payables *(Note 25)*	179,820

	HK$'000
Net cash flow on acquisition:	
Net cash acquired	6,871
Consideration paid *(Note)*	–
	6,871

Note: The consideration was not yet paid at the end of the year and was subsequently settled in May 2016.

34. RELATED PARTY TRANSACTIONS

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

	2016 HK$'000	2015 HK$'000
(i) Key management personnel		
Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in note 11, is as follows:		
– Salaries, allowance and benefit in kinds	**10,713**	9,310
– Discretionary bonus	**164**	76
– Retirement scheme contribution	**453**	395
– Equity-settled share-based payment	**2,581**	8,854
	13,911	18,635
(ii) Entities controlled by a close family member of a controlling shareholder of the Company		
– Project management fee income	**–**	18
– Rental expenses paid	**216**	216

35. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at 31 March 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

The Group's investment properties of HK$Nil (2015: HK$340,000,000) are measured at Level 2 of the fair value hierarchy.

Movements in Level 3 fair value measurements

2016

Description	**Investment properties** HK$'000	**Total** HK$'000
At beginning of the year	–	–
Transfers into Level 3 *(Note)*	340,000	340,000
At the end of the reporting period	340,000	340,000
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	–	–

Note: The Group's policy is to recognise transfers into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

35. FAIR VALUE MEASUREMENTS (continued)

Movements in Level 3 fair value measurements (continued)

2015

Description	Investment properties HK$000	Total HK$000
At beginning of the year	–	–
Transfers into Level 3	–	–
At the end of the reporting period	–	–
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	–	–

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

Description	Fair value at 31 March 2016 HK$'000	Valuation techniques	Unobservable inputs	Range (weighted average, if applicable)	Sensitivity of fair value to changes in unobservable inputs
Asset					
Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	19,600	Sales comparison approach	Comparable's unit selling/ asking price	HK$1,400,000 per unit	The higher the unit selling price, the higher the fair value

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

35. FAIR VALUE MEASUREMENTS (continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement (continued)

Description	**Fair value at 31 March 2016** HK$'000	**Valuation techniques**	**Unobservable inputs**	**Range (weighted average, if applicable)**	**Sensitivity of fair value to changes in unobservable inputs**
20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	320,400	Income capitalisation approach	Market rent	HK$19.7 per square feet	The higher the market rent, the higher the fair value.
			Capitalisation rate	3%	The lower the capitalisation rate, the higher the fair value

Valuation processes of the Group

As described in note 14, for the investment properties that were vacant at the end of the reporting period, the investment properties were revalued by Savills Valution and Professional Services Limited, an independent professional qualified valuer, on the market value basis using sales comparison approach. Sales prices of comparable properties in term of floor areas in close proximity adjusted for differences in key valuation attributes, such as properties size were used to value the properties. The most significant input into this valuation approach is price per unit.

During the year, portion of the investment properties was leased out and the valuation method for those premises was changed from sales comparison approach to income capitalisation approach (term and reversionary method) which largely used unobservable inputs (e.g. market rent, yield, etc) and taking into account the significant adjustment on term yield to account for the risk upon reversionary after expiry of current lease and adjustment on rental value to account for the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties.

36. CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of property units developed by Jilin Wan Sheng, a wholly-owned subsidiary of the Group that provided guarantees to secure obligations of such purchasers for repayments. As at 31 March 2016, guarantees amounting to HK$107.3 million were given to banks with respect to loans procured by purchasers of property units. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers or (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the year, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. Also, in case of default in payments, the net realisable value of the related property units would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

37. COMMITMENTS

(a) Commitments under operating leases – the Group as lessee

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

	2016 **HK$'000**	2015 HK$'000
In respect of leased properties:		
Within one year	**9,310**	10,175
In the second to fifth years inclusive	**8,946**	9,699
	18,256	19,874

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

37. COMMITMENTS (continued)

(b) Operating lease arrangements – the Group as lessor

The Group leases out some of its investment properties under operating leases with average lease term of three years and with options to renew the leases upon expiry at new terms. At the end of the reporting period, the Group had future aggregate minimum lease income under non-cancellable operating leases, which are receivable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	6,888	–
In the second to fifth years inclusive	11,479	–
	18,367	–

(c) Commitments for development expenditure

	2016 HK$'000	2015 HK$'000
Planned expenditure in respect of the properties under development – Contracted for but not provided	96,543	–

38. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Name	Country/place of incorporation/ operation and kind of legal entity in the PRC	Particulars of issued share capital/ registered capital	Percentage of effective equity interest held[1]	Principal activities
Frontier Power Investments Limited	British Virgin Islands	1 ordinary share of total US$1	100%	Investment holding
Ground Data System Limited	Hong Kong	2 ordinary shares of total HK$2	100%	Property holding
Ground Holdings Limited	British Virgin Islands	100 ordinary shares of total US$100	100%	Investment holding
Ground Properties (HK) Limited	Hong Kong	2 ordinary shares of total HK$2	100%	Property holding
Ground Telecom Group Limited	British Virgin Islands	500,000,000 ordinary shares of total HK$50,000,000	100%	Investment holding
Jackie Industries Limited	Hong Kong	2 ordinary shares of total HK$2	100%	Property holding
New Glory Consultants Limited	Hong Kong	1 ordinary share of total HK$1	100%	Administration & management services
Victory Marker Limited	Hong Kong	6,176,497 ordinary shares of total HK$13,966,499	100%	Investment holding
Sino Success Consultants Limited	Hong Kong	1 ordinary share of total HK$1	100%	Administration & management services

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

38. PRINCIPAL SUBSIDIARIES (continued)

Name	Country/place of incorporation/ operation and kind of legal entity in the PRC	Particulars of issued share capital/ registered capital	Percentage of effective equity interest held[1]	Principal activities
World Sheen Properties Limited	Hong Kong	2 ordinary shares of total HK$2	100%	Property holding
上海錦瀚銀通通信產品銷售有限公司	The PRC, wholly foreign-owned enterprise	Paid-up capital RMB500,000 Registered capital RMB500,000	100%	Provision of distribution sales and management services
上海潤迅概念通信產品連鎖銷售有限公司	The PRC	Paid-up capital RMB30,000,000 Registered capital RMB30,000,000	100%	Provision of telecommunications retail sales and management services
上海宏億通信產品銷售有限公司	The PRC	Paid-up capital RMB500,000 Registered capital RMB500,000	100%	Provision of distribution sales and management services
上海潤迅君斯通信科技有限公司 Shanghai Motion JUNS Communication Technology Company Limited#	The PRC	Paid-up capital RMB5,000,000 Registered capital RMB5,000,000	100%	Provision of telecommunications call centre services
上海星際通實業有限公司 Shanghai XingJiTong Shi Ye Company Limited#	The PRC	Paid-up capital RMB5,000,000 Registered capital RMB5,000,000	100%	Provision of telecommunications retail sales and management services
吉林市萬升房地產開發有限公司 Jilin Wan Sheng Property Development Company Limited#	The PRC, wholly foreign-owned enterprise	Paid-up capital RMB200,000,000 Registered capital RMB200,000,000	100%	Property development

38. PRINCIPAL SUBSIDIARIES (continued)

[#] English translation for identification purpose only.

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

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

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

Schedule of Principal Properties

Particulars of principal properties held by the Group at 31 March 2016 are as follows:

INVESTMENT PROPERTIES

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

PROPERTIES UNDER DEVELOPMENT

Address	Estimated gross floor area (sq. m)	Uses	Percentage held by the Group
Portion of Phases I and II of (萬升 • 前城國際) Wansheng Qiancheng International*, Jiefang West Road, Chuanying District, Jilin, Jilin Province, the PRC	55,346	Residential and commercial	100%

Schedule of Principal Properties

COMPLETED PROPERTIES HELD FOR SALE

Address	Approximate gross floor area (sq. m)	Uses	Percentage held by the Group
Portion of Phases I and II of (萬升 • 前城國際) Wansheng Qiancheng International*, Jiefang West Road, Chuanying District, Jilin, Jilin Province, the PRC	28,629	Residential, commercial, office, storage and car parks	100%

Five-Year Financial Summary

	Year ended 31 March				
	2016	2015	2014	2013 (Restated)	2012 (Restated)
Revenue (HK$ million)	**249.1**	129.5	56.2	150.0[(1)(2)]	178.6[(1)(2)]
Gross profit (HK$ million)	**103.8**	56.0	39.4	68.3[(1)(2)]	76.7[(1)(2)]
(Loss) Profit for the year from continuing operations (HK$ million)	**(75.7)**	(22.7)	(3.8)	42.4	(41.9)
Profit (Loss) for the year from discontinued operations (HK$ million)	**–**	–	–	40.8	(5.0)
(Loss) Profit for the year (HK$ million)	**(75.7)**	(22.7)	(3.8)	83.2[(1)]	(46.9)[(1)]
(Loss) Earnings per share (HK cents)	**(8.84)**	(2.79)	(0.68)	14.75[(1)(3)]	(8.27)[(1)(3)]
Total assets (HK$ million)	**1,394.6**	1,271.8	753.4	464.7	402.6
Total liabilities (HK$ million)	**737.4**	544.1	317.6	19.6	41.1
Net assets (HK$ million)	**657.2**	727.7	435.8	445.1	361.5
Net assets value per share (HK$)	**0.76**	0.85	0.76	0.79[(3)]	0.64[(3)]

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

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

(3) The figures for the years ended 31 March 2012 and 2013 have been restated to conform the presentation in 2014, 2015 and 2016 for share consolidation of every five shares of HK$0.01 each in the issued and unissued share capital into one share of HK$0.05.

GROUND PROPERTIES

GROUND PROPERTIES COMPANY LIMITED

Rooms 3505-3506, 35th Floor, Edinburgh Tower,
The Landmark, 15 Queen's Road Central, Central, Hong Kong

Tel : (852) 2209 2888   Fax : (852) 2209 2988

www.groundproperties.com