HIGHLIGHT CHINA IOT INTERNATIONAL LIMITED
高 銳 中 國 物 聯 網 國 際 有 限 公 司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號：1682

Annual Report

2016

年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gao Zhiyin *(Chairman)*

Mr. Gao Zhiping *(Chief Executive Officer)*

Mr. Shi Jiguo

Independent Non-Executive Directors#

Mr. Lau Chi Kit

Mr. Lam Kai Yeung

Mr. Ma Ming *(appointed on 8 July 2015)*

Non-Executive Director

Mr. Shum Ngok Wa *(appointed on 12 July 2016)*

BOARD COMMITTEES

Audit Committee

Mr. Lam Kai Yeung *(chairman)*

Mr. Lau Chi Kit

Mr. Ma Ming

Remuneration Committee

Mr. Lam Kai Yeung *(chairman)*

Mr. Gao Zhiyin

Mr. Lau Chi Kit

Nomination Committee

Mr. Gao Zhiyin *(chairman)*

Mr. Lau Chi Kit

Mr. Lam Kai Yeung

COMPANY SECRETARY

Ms. Sze Suet Ling *ACIS ACS*

AUTHORISED REPRESENTATIVES

Mr. Gao Zhiyin

Ms. Sze Suet Ling *ACIS ACS*

LEGAL ADVISER AS TO HONG KONG LAW

Paul Hastings

AUDITOR*

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

OCBC Wing Hang Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 4114-4119, 41st Floor

Sun Hung Kai Centre

No. 30 Harbour Road

Wanchai, Hong Kong

STOCK CODE

1682

COMPANY WEBSITE

www.highlightiot.com

\# *Dr. Chen Yifan resigned as an independent non-executive Director on 9 April 2015.*

* *Messrs. Deloitte Touche Tohmatsu acted as auditor of the Company until its retirement on 28 August 2014 (the date of annual general meeting in 2014). Messrs. Grant Thornton Hong Kong Limited was appointed as auditor of the Company on the same date (i.e. 28 August 2014) and resigned on 18 May 2015. Messrs. Deloitte Touche Tohmatsu was appointed as auditor of the Company on 5 June 2015.*

RESULTS

	Year ended 31 March				
	2012 HK$'000	2013 HK$'000	2014 HK$'000 (restated)	2015 HK$'000	**2016** **HK$'000**
Revenue	909,908	1,071,162	282,089	365,690	**164,589**
Profit (loss) before taxation	11,097	17,776	8,586	(454)	**(24,777)**
Income tax (expense) credit	(3,377)	(10,507)	(1,980)	(902)	**20**
Profit (loss) for the year from continuing operation	7,720	7,269	6,606	(1,356)	**(24,757)**
Profit (loss) for the year from discontinued operations	–	–	4,972	(5,074)	**–**
Profit (loss) for the year	7,720	7,269	11,578	(6,430)	**(24,757)**
Attributable to:					
Owners of the Company	7,256	11,178	18,961	(6,833)	**(24,757)**
Non-controlling interests	464	(3,909)	(7,383)	403	**–**
	7,720	7,269	11,578	(6,430)	**(24,757)**

ASSETS AND LIABILITIES

	At 31 March				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	573,145	632,594	592,803	134,009	**66,022**
Total liabilities	(231,906)	(272,318)	(214,543)	(91,929)	**(48,699)**
	341,239	360,276	378,260	42,080	**17,323**
Equity attributable to:					
Owners of the Company	331,682	354,613	379,978	42,080	**17,323**
Non-controlling interests	9,557	5,663	(1,718)	–	**–**
	341,239	360,276	378,260	42,080	**17,323**

note: As mentioned in Note 11 to the consolidated financial statements, the Group disposed of certain subsidiaries during the year ended 31 March 2015. The results of the disposed subsidiaries for the years presented have been reclassified for separate disclosure as discontinued operations above while the results for each of the two years ended 31 March 2013 have not been reclassified and represented both the continuing and discontinued operations.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the Group's annual report for the year ended 31 March 2016.

BUSINESS REVIEW

During the year ended 31 March 2016, the garment industry had operated in an environment full of challenges. The Group's customised out-sourcing capabilities continued to support the Group to cope with the global macro-economic pressure and the associated unfavourable consumer spending environment. The export market demonstrated a mixed picture. The sluggish economies of Canada and Eurozone have weighed on consumer confidence and has led to persistently low demand. On the other hand, the United States of America ("US"), the Group's major export destination, has shown soft signs of recovery.

According to the Major Shippers Report released by the US Department of Commerce, imports of apparel increased by approximately 2.68% to approximately US$84.7 billion in the twelve months ended 31 March 2016 as compared to the corresponding period in the previous year. Although the US recorded soft rebound, retailers have become increasingly cautious in placing orders.

Garment Sourcing Business

It was full of challenges during the year ended 31 March 2016. For the year ended 31 March 2016, the Group's revenue from its garment sourcing business decreased by approximately 55% on a year-on-year basis to approximately HK$165 million (2015: approximately HK$366 million). The decrease was mainly attributable to the modest economic recovery of the US that still has weighed on buyers' confidence and made retailers particularly cautious in placing orders.

Gross profit of the Group's garment sourcing business decreased by approximately 53% to approximately HK$13 million (2015: approximately HK$27 million) with gross profit margin improved from approximately 7% to approximately 8%.

Loss for the year attributable to owners of the Company recorded approximately HK$25 million (2015: approximately HK$7 million). This was mainly attributable to (i) as mentioned above, the decline in revenue due to the modest economic recovery of the US that still weighed on buyers' confidence and made retailers particularly cautious in placing orders; (ii) the increase in selling and administrative expenses, including sampling expenses and rental of a new office in Hong Kong; and (iii) the one-off expenses of professional fees of approximately HK$4 million in relation to the acquisition under the Agreement (as defined in the announcement of the Company dated 25 March 2015) which automatically lapsed on 31 December 2015 (details of which were disclosed in the announcement of the Company dated 1 January 2016).

Total comprehensive expense for the year ended 31 March 2016 amounted to approximately HK$25 million (2015: approximately HK$14 million), representing an increase of approximately 76%. The increase, as mentioned above, was primarily due to the decrease in sales revenue, the increase in selling and administrative expenses, including sampling expenses and rental of a new office in Hong Kong and additional one-off expenses of professional fees incurred during the year ended 31 March 2016 relating to the acquisition.

PROSPECTS AND DEVELOPMENT PLAN

In the future, the Group will continue its garment sourcing business. The Group will also conduct a detailed review of its operations and formulate feasible business strategies with a view to developing a sustainable corporate strategy to broaden the Group's income stream, which may include rebalancing the resources of the Group should appropriate opportunities arise.

Subject to a detailed review to be performed by the Board, the Board will continue to look for new business opportunities from time to time with a aim to enhancing financial performance. We will do our best to deliver better return to the Shareholders.

LAPSE OF AGREEMENT

As disclosed in the Company's announcement dated 1 January 2016, the Agreement (as defined in the announcement of the Company dated 25 March 2015) automatically lapsed on 31 December 2015. Save as disclosed above, the Group did not have any proposed material acquisition during the year ended 31 March 2016 and up to the date of this report.

SUBSEQUENT EVENTS

As at the date of this report, there are no material events affecting the Group occurring subsequent to the year ended 31 March 2016.

Gao Zhiyin
Chairman

Hong Kong, 29 June 2016

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group maintained a healthy financial position for the year ended 31 March 2016 with cash and cash equivalents amounting to approximately HK$12 million as at 31 March 2016.

As at 31 March 2016, the Group's gearing ratio, being net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity, was zero (2015: zero), as the Group did not have any bank borrowings as at 31 March 2016. The Group's current ratio, being total current assets divided by total current liabilities, was approximately 1.4 as of 31 March 2016 (2015: 1.4).

The Group did not have any bank borrowings as at 31 March 2016 and throughout the year ended 31 March 2016.

Foreign Exchange and Currency Risks

The Group's working capital is mainly financed through internal generated cash flows. The management of the Group regularly monitors the funding requirements of the Group to support its normal operations and its development plans. Most of the Group's cash balances were deposits in US dollars ("US$") and HK$ with major global financial institutions and most of the Group's monetary assets, revenues, monetary liabilities and payments were held in US$ and HK$.

Foreign exchange risks arising from sales and purchases transacted in different currencies may be managed by the Group through the use of foreign exchange forward contracts. Pursuant to the Group's policy in place, foreign exchange forward contracts or any other financial derivative contracts may be entered into by the Group for hedging purpose. The Group had not entered into any financial derivative contract in the year ended 31 March 2016 and had no outstanding financial derivative contracts as at 31 March 2016.

Capital Expenditure and Commitments

During the year ended 31 March 2016, the Group did not have any material investment in property, plant and equipment.

As at 31 March 2016, the Group had no commitment (as at 31 March 2015: Nil) in respect of acquisition of new machineries and no significant capital commitments.

As at the date of this report, the Group had no plan for any material investment or capital assets.

Charges on Assets

As at 31 March 2016, the Group had no pledged assets.

Contingent Liabilities

The Group did not have contingent liabilities as at 31 March 2016.

Dividends

The Board has resolved not to declare any final dividend for the year ended 31 March 2016 (for the year ended 31 March 2015: Nil).

Employee Information

As at 31 March 2016, the Group employed approximately 10 employees (excluding Directors). The Group offers its employees competitive remuneration schemes which are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. In addition, bonuses are normally paid to those eligible based on the Group's and individual's performance.

The Company maintains the Share Option Scheme, pursuant to which share options may be granted to selected eligible participants including employees of the Group, with a view to providing those eligible participants with appropriate incentive to contribute to the success of the Group.

Throughout the year ended 31 March 2016 and as at 31 March 2016, there was no outstanding share option.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Gao Zhiyin, aged 45, was appointed as an executive Director on 26 July 2014 and the chairman of the Board on 16 August 2014. He is one of the founders of Unitech Enterprises Group Limited（卓科企業集團有限公司）, being the controlling Shareholder. Since 2010, he has served as the chairman of the board of directors and the chief executive officer of Highlight Vision Limited（高鋭視訊有限公司）(“Highlight Vision PRC”), a subsidiary of Unitech Enterprises Group Limited which is an integrated service provider for IoT (“Internet of Things”), tri-network integration, smart city and internet new media industries in the People’s Republic of China (“PRC”). He has also served as the legal representative of Zhejiang Chuangyi Optical Transmission Co., Ltd.*（浙江創億光電設備有限公司）(formerly known as Zhejiang Quzhou Chuangyi Optical Transmission Co., Ltd.* (浙江衢州創億光電設備有限公司)) since 2002. He has many years of experience in the industry of broadcasting and television communication and has thorough understanding of the Internet and IoT industries as well as the related upstream and downstream industries.

Mr. Gao graduated with a certificate from the chief executive enhancement class in financial investment and capital operation of the continuing education department of Zhejiang University (浙江大學金融投資與資本運作總裁提高班) in May 2010. He has served as a director of Enablence Technologies Inc., a Canadian-based company listed on the TSX Venture Exchange (TSX.V:ENA), since September 2013.

Mr. Gao Zhiyin is the elder brother of Mr. Gao Zhiping, the chief executive officer of the Company and an executive Director.

Mr. Gao Zhiping, aged 44, was appointed as an executive Director on 26 July 2014 and the chief executive officer of the Company on 16 August 2014. He is one of the co-founders of Unitech Enterprises Group Limited. He has served as the general manager of Highlight Vision PRC since 2010. He has served as the legal representative of Zhejiang Chuangjia Digital Co., Ltd.*（浙江創佳數字技術有限公司）(formerly known as Zhejiang Tongfang Digital TV Equipment Co., Ltd.* (浙江同方數字電視設備有限公司)) since 2007. He has many years of experience in the industry of broadcasting and television communication and has in-depth understanding of the Internet and IoT industries.

Mr. Gao obtained his associate degree in administrative management from China Central Radio and TV University (中央廣播電視大學), now known as The Open University of China (國家開放大學), in July 2006. He subsequently graduated from the EMBA chief executive enhancement class of the management training centre of Zhejiang University (浙江大學高級工商管理總裁研修班) with a certificate in March 2007.

Mr. Gao Zhiping is the younger brother of Mr. Gao Zhiyin, the chairman of the Board and an executive Director.

Mr. Shi Jiguo, aged 61, was appointed as an executive Director on 26 July 2014. He joined Highlight Vision PRC in 2009. He is currently the executive deputy general manager and chief sales officer of Highlight Vision PRC. He has been a director and deputy general manager of Zhejiang Chuangyi Optical Transmission Co., Ltd.*（浙江創億光電設備有限公司）since January 2015. From March 2004 to December 2014, he worked for several PRC state-owned enterprises in the broadcasting and television communication industry.

** for identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Chi Kit, aged 71, was appointed as an independent non-executive Director on 8 September 2010 and resigned and re-appointed as an independent non-executive Director with effect from 16 August 2014. He retired from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in December 2000 after more than 35 years of service. Among the major positions in HSBC, he was the assistant general manager and head of Personal Banking Hong Kong and assistant general manager and head of Strategic Implementation, Asia-Pacific Region.

Mr. Lau is currently a fellow of the Hong Kong Institute of Bankers ("Institute") and the honorary advisor of the Institute's Executive Committee. He was the chairman of the Institute's Executive Committee (from January 1999 to December 2000).

Mr. Lau served as a member on a number of committees appointed by the Government of the Hong Kong Special Administrative Region, including the Advisory Council on the Environment (from October 1998 to December 2001), the Advisory Committee on Human Resources Development in the Financial Services Sector (from June 2000 to May 2001), the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption (from January 2000 to December 2003), the Environment and Conservation Fund Committee (from August 2000 to October 2006), the Innovation and Technology Fund (Environment) Projects Vetting Committee (from January 2000 to December 2004) and the Law Reform Commission's Privacy Sub-committee (from February 1990 to March 2006). He also served as chairman of the Business Environment Council Limited (from September 1998 to December 2001).

Mr. Lau is currently an executive director of Chinlink International Holdings Limited (stock code: 997) (formerly known as "Decca Holdings Limited"). He is also currently an independent non-executive director of Royale Furniture Holdings Limited (stock code: 1198), Century Sunshine Group Holdings Limited (stock code: 509) and Leoch International Technology Limited (stock code: 842). All of those companies are listed on the Main Board of the Stock Exchange.

Mr. Lam Kai Yeung, aged 47, was appointed as an independent non-executive Director on 16 August 2014. He is an independent non-executive director of Finsoft Financial Investment Holdings Limited (stock code: 8018) (formerly known as "Finsoft Corporation 匯財軟件公司") and Kong Shum Union Property Management (Holding) Limited (stock code: 8181), both companies are listed on the Growth Enterprise Market of the Stock Exchange ("GEM"). He is also an independent non-executive director of Silverman Holdings Limited (stock code: 1616), Sunway International Holdings Limited (stock code: 58) and Holly Futures Co., Limited (弘業期貨股份有限公司) (stock code: 3678), those companies are listed on the Main Board of the Stock Exchange.

Mr. Lam was an independent non-executive director of Northeast Tiger Pharmaceutical Co., Ltd. (stock code: 8197), a company listed on the GEM, from August 2008 to June 2015. He was a non-executive director of Ping Shan Tea Group Limited (stock code: 364) (formerly known as "Huafeng Group Holdings Limited"), a company listed on the Main Board of the Stock Exchange, from December 2014 to May 2015.

From September 2013 to November 2014, Mr. Lam was the vice president of International Telecommunication Group Holdings Limited (國際通信集團控股有限公司). He was previously the chief financial officer of Hunan Nonferrous Metals Jinsheng Development Co., Ltd.（湖南有色金晟發展有限公司）. From July 2006 to August 2013, he was the company secretary and qualified accountant of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司), a company previously listed on the Main Board of the Stock Exchange with its then stock code of 2626 and which had been delisted from the Stock Exchange in March 2015. Hunan Nonferrous Metals Corporation Limited and Hunan Nonferrous Metals Jinsheng Development Co., Ltd. are both subsidiaries of Hunan Nonferrous Metals Holding Group Co., Ltd.

Mr. Lam is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. He has more than 20 years' experience in finance and auditing. He obtained a bachelor degree in accounting from Xiamen University (廈門大學) in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

Mr. Ma Ming, aged 67, was appointed as an independent non-executive Director on 8 July 2015. He has over 25 years of experience in the television and broadcasting industry.

Mr. Ma has been the deputy director and secretary of Chinese Institute of Electronics (Broadcasting Technology Branch)* (中國電子學會廣播電視技術分會) since May 2008. Before his retirement from the State Administration of Radio Film and Television* (國家廣播電影電視總局) (now known as the State Administration of Press, Publication, Radio, Film and Television of The People's Republic of China* (中華人民共和國國家新聞出版廣電總局)) in March 2009, he had held various positions there, including serving as (i) a director of the design department from March 1982 to May 1997, (ii) a deputy director of the network center from May 1997 to July 2007, and (iii) a consultant of the institute of broadcasting science from July 2007 to March 2009.

Mr. Ma is currently an independent director of each of the following companies listed on the Shenzhen Stock Exchange: (i) Sichuan Jiuzhou Electrical Appliance Co., Ltd.* (四川九洲電器股份有限公司) (stock code: 000801) (since May 2011), and (ii) Beijing Jetsen Technology Co., Ltd.* (北京捷成世紀科技股份有限公司) (stock code: 300182) (since August 2013).

Since November 2012, Mr. Ma has also been an independent director of Guangxi Radio and Television Information Network Corporation Limited* (廣西廣播電視信息網路股份有限公司).

Mr. Ma was an independent director of Hangzhou CNCR-IT Co., Ltd. (杭州初靈信息技術股份有限公司) (stock code: 300250) from March 2010 to April 2016, a company listed on the Shenzhen Stock Exchange.

Prior to his career in television and broadcasting industry, Mr. Ma had served as a performer in Central Radio Symphony Orchestra* (中央廣播交響樂團) from December 1975 to March 1978 and in Shanxi Local Opera Troupe* (山西省晉劇院) from May 1971 to December 1975.

Mr. Ma graduated with a bachelor's degree in engineering from the Beijing Institute of Iron and Steel Technology* (北京鋼鐵學院) (now known as University of Science and Technology Beijing* (北京科技大學)), majoring in electrification and automation for metallurgical industrial and mining enterprises in automation in April 1982.

** for identification purposes only*

NON-EXECUTIVE DIRECTOR

Mr. Shum Ngok Wa, aged 27, was appointed as a non-executive Director on 12 July 2016. He has been appointed as a director of Huaxian Dexin Property Development Co., Ltd.* (滑縣德信房地產開發有限公司) and Dexin (Henan) Electronics Co., Ltd.* (德信(河南)電子有限公司) (both of which are established in the PRC) since March 2015 and Canada United Potash Limited, a subsidiary of Kingston Financial Group Limited ("Kingston Financial"), a company listed on the Main Board of the Stock Exchange, stock code: 1031, since March 2014.

Since September 2012, Mr. Shum also served at Kingston Securities Limited, a subsidiary of Kingston Financial, in its credit and risk control department. He is responsible for risk management in underwriting, margin and initial public offering financing activities. He has approximately five years' of solid experience in credit risk management for financing activities in the capital market in Hong Kong.

Mr. Shum was a director of KINGSBI Investment Management Limited ("KINGSBI"), a Hong Kong company dissolved by deregistration upon the consent of all members under section 751 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in June 2015, from December 2013 to June 2015. KINGSBI had no operation or business at the time of dissolution.

Mr. Shum obtained the degree of Bachelor of Business Administration in Quantitative Finance and Risk Management from City University of Hong Kong in July 2011.

Mr. Shum is a licensed person for type 1 (dealing in securities) regulated activity under the SFO and he is also a Certified Financial Risk Manager (FRM) of the Global Association of Risk Professionals.

** for identification purposes only*

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the garment sourcing business. The activities of its principal subsidiaries are set out in Note 30 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal activities and geographical area of operations for the year ended 31 March 2016 is set out in Note 8 to the consolidated financial statements.

BUSINESS REVIEW

Details of the business review of the Group are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 7 of this report. Description of the principal risks and uncertainties facing the Company can also be found throughout this report particularly in Notes 4 to 6 to the consolidated financial statements.

The Group has reported its financial conditions in due compliance with procedures stipulated under the Listing Rules. For details of the financial risks, please refer to the section headed "Financial Review" in "Management Discussion and Analysis" set out in page 6 in this report.

The key financial and business performance indicators of the Group included revenues, gross profit, profit attributable to equity holders of the Company, shareholders' funds and debt to equity ratio. Details of these indicators are provided in "Financial Summary" and "Management Discussion and Analysis" and as set out on pages 3 and pages 6 to 7 of this report respectively.

RESULTS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 35 to 36 of this report.

The Board has resolved not to declare any final dividend for the year ended 31 March 2016 (for the year ended 31 March 2015: Nil).

During the year ended 31 March 2015, a special cash dividend of HK$0.72 per Share was declared by the Board and was approved by the Shareholders at the special general meeting of the Company ("SGM") which was held on 10 July 2014. The aggregate amount of the special dividend declared and paid out of special reserve amounted to approximately HK$374.2 million which was paid on 22 July 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2016 are set out in Note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 38 of this report.

The Company's reserves available for distribution to Shareholders as at 31 March 2016, represented by its share premium, special reserve and net of accumulated losses were HK$12,888,000 (2015: HK$30,676,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2016 are set out in Note 24 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the Group's published results and the Group's assets and liabilities for the last five financial years is set on page 3 of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year ended 31 March 2016 and up to the date of this report were:

Executive Directors:

Mr. Gao Zhiyin *(Chairman)*
Mr. Gao Zhiping *(Chief Executive Officer)*
Mr. Shi Jiguo

Independent Non-Executive Directors:

Mr. Lau Chi Kit
Mr. Lam Kai Yeung
Mr. Ma Ming (appointed on 8 July 2015)
Dr. Chen Yifan (resigned on 9 April 2015)

Non-Executive Director:

Mr. Shum Ngok Wa (appointed on 12 July 2016)

In accordance with Bye-Law 108(A), Mr. Gao Zhiyin and Mr. Shi Jiguo shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Bye-Law 112, Mr. Shum Ngok Wa appointed by the Board as an addition to the existing Board shall hold office only until the forthcoming annual general meeting of the Company and shall retire and be eligible for re-election at the forthcoming annual general meeting of the Company. All other Directors continue in office.

DIRECTORS AND SERVICE CONTRACTS (continued)

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

Dr. Chen Yifan resigned as an independent non-executive Director on 9 April 2015, details of which were disclosed in the Company's announcement dated 9 April 2015. Dr. Chen confirmed that he had no disagreement with the Board and he was not aware of any other matter relating to his resignation that needed to be brought to the attention of the Shareholders.

CHANGE IN COMPOSITION OF THE BOARD AND THE BOARD COMMITTEES

During the year ended 31 March 2016 and up to the date of this report, the Company has the following changes in the composition of its Board and Board Committees:

On 9 April 2015, Dr. Chen Yifan resigned as an independent non-executive Director. Upon his resignation, Dr. Chen Yifan also ceased to be the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. The number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of members of the Audit Committee fell short of the requirement under Rule 3.21 of the Listing Rules.

On the same day (i.e. 9 April 2015), the Board appointed Mr. Lam Kai Yeung, an independent non-executive Director, as the chairman of the Remuneration Committee and a member of the Nomination Committee.

The composition of the Board Committees was as follows after the resignation of Dr. Chen Yifan on 9 April 2015:

– The Audit Committee comprised two independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman) and Mr. Lau Chi Kit.

– The Remuneration Committee comprised two independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman) and Mr. Lau Chi Kit and one executive Director, namely Mr. Gao Zhiyin.

– The Nomination Committee comprised one executive Director, namely Mr. Gao Zhiyin (chairman) and two independent non-executive Directors, namely Mr. Lau Chi Kit and Mr. Lam Kai Yeung.

Following the appointment of Mr. Ma Ming as an independent non-executive Director and a member of the Audit Committee on 8 July 2015, the Company has recomplied with the requirements of Rule 3.10(1) and Rule 3.21 of the Listing Rules.

The composition of the Audit Committee was as follows after the appointment of Mr. Ma Ming on 8 July 2015 and as at the date of this report:

– The Audit Committee comprised three independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman), Mr. Lau Chi Kit and Mr. Ma Ming.

CHANGE IN COMPOSITION OF THE BOARD AND THE BOARD COMMITTEES (continued)

The composition of each of the Remuneration Committee and the Nomination Committee remain unchanged as at the date of this report.

Details of the above were disclosed in the Company's announcements dated 9 April 2015 and 8 July 2015.

Mr. Shum Ngok Wa was appointed as a non-executive Director as an addition to the existing Board with effect from 12 July 2016.

LAPSE OF AGREEMENT

On 20 March 2015, the sellers (including Unitech Enterprises Group Limited, the controlling Shareholder) and the Company (as purchaser) entered into an agreement, pursuant to which the parties agreed that the sellers would transfer to the Company the entire issued share capital of Highlight Holding Limited (高銳控股有限公司), a company incorporated in the Cayman Islands with limited liability, and Unitech Enterprises Group Limited would agree to effect loan assignments to the Company at a total consideration of HK$36,450,903,600, which would be satisfied by the issue and allotment of Shares by the Company to the sellers at an issue price of HK$2.87 per Share. Details of the agreement were disclosed in the Company's announcement dated 25 March 2015. As disclosed in the Company's announcement dated 1 January 2016, such agreement automatically lapsed on 31 December 2015. Save as disclosed above, the Group did not have any proposed material acquisition during the year ended 31 March 2016 and up to the date of this report.

CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as otherwise set out below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Name of Director	**Details of changes**
Mr. Lam Kai Yeung ("Mr. Lam"), an independent non-executive Director	Mr. Lam has been appointed as an independent non-executive director of Holly Futures Co., Limited (弘業期貨股份有限公司) (stock code: 3678), a company listed on the Main Board of the Stock Exchange, in 2015.
Mr. Ma Ming ("Mr. Ma"), an independent non-executive Director	Mr. Ma retired as an independent director of Hangzhou CNCR-IT Co., Ltd. (杭州初靈信息技術股份有限公司) (stock code: 300250) in 2016, a company listed on the Shenzhen Stock Exchange.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Company.

(CONTINUING) CONNECTED TRANSACTIONS

During the year ended 31 March 2016, there was no transaction which is required to be disclosed as (continuing) connected transaction in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2016, there was no related party transaction under Note 29 to the consolidated financial statements which constitute a connected transaction in accordance with Chapter 14A of the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the US while the Company itself is listed on the Stock Exchange.

Save as disclosed under the section headed "Compliance with Listing Rules" on pages 23 to 24 of this report, to the best of our knowledge, during the year ended 31 March 2016, there was no material breach of or non-compliance by the Group with the applicable laws and regulations that have a significant impact on the business and operation of the Group.

COMPLIANCE WITH LISTING RULES

The Board discovered that Dr. Chen Yifan, a former independent non-executive Director, did not fulfill the independence criteria under Rule 3.13 of the Listing Rules. Subsequently, Dr. Chen Yifan resigned as an independent non-executive Director with effect from 9 April 2015. Details of which were disclosed in the Company's announcement dated 9 April 2015.

Following the resignation of Dr. Chen Yifan as an independent non-executive Director with effect from 9 April 2015, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of members of the Audit Committee fell short of the requirement under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Ma Ming as an independent non-executive Director and a member of the Audit Committee on 8 July 2015, the Company has recomplied with the requirements of Rule 3.10(1) and Rule 3.21 of the Listing Rules. Details of which were disclosed in the Company's announcement dated 8 July 2015.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In accordance with the Company's announcement dated 9 April 2015 and stated in this report regarding that Dr. Chen Yifan, a former independent non-executive Director, did not fulfill the independence criteria under Rule 3.13 of the Listing Rules and Dr. Chen Yifan resigned as an independent non-executive Director on 9 April 2015.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Save as disclosed above, the Company considers all the independent non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 8 to 11 of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, the interests and short positions of the Directors or chief executive of the Company in the Shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	**Name of Group member**	**Capacity**	**Number of shares held and class of securities** (note 1)	**Approximate percentage of shareholding**
Mr. Gao Zhiyin	Highlight China IoT International Limited	Interest of controlled corporation	322,326,500 Shares (L) (note 2)	62.01%*
Mr. Gao Zhiping	Highlight China IoT International Limited	Interest of controlled corporation	322,326,500 Shares (L) (note 2)	62.01%*

* *The percentage has been calculated based on 519,777,000 Shares as at 31 March 2016.*

notes:

1. The letter "L" denotes the Directors' long position in the Shares.

2. These Shares were held by Unitech Enterprises Group Limited which was owned as to 60% by Mr. Gao Zhiyin and was owned as to 40% by Mr. Gao Zhiping.

Save as disclosed above in this report, as at 31 March 2016, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2016, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and the chief executive of the Company) had interests or short positions in the Shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of shares held and class of securities (note 1)	Approximate percentage of shareholding
Unitech Enterprises Group Limited	Beneficial owner	322,326,500 Shares (L) (note 2)	62.01%*
Mr. Ng Tsze Lun	Beneficial owner	50,173,000 Shares (L)	9.65%*
Ms. Yau Yuk Chun Carole (note 3)	Interest of spouse	50,173,000 Shares (L)	9.65%*

* *The percentage has been calculated based on 519,777,000 Shares as at 31 March 2016.*

notes:

1. The letter "L" denotes the individual's or the corporation's long position in the Shares.

2. Unitech Enterprises Group Limited was owned as to 60% by Mr. Gao Zhiyin and was owned as to 40% by Mr. Gao Zhiping, both of them are Directors.

3. Ms. Yau Yuk Chun Carole is the wife of Mr. Ng Tsze Lun.

Save as disclosed above, as at 31 March 2016, there was no other person who was recorded in the register of the Company as having interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all the circumstances at general meetings of members of the Group other than the Company, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 June 2010 which became effective upon the listing of the Company's shares on the Stock Exchange on 5 October 2010. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants including eligible Directors, eligible employees and any other eligible persons for their contributions to the Group.

The Share Option Scheme will remain in force for a period of ten years from the date of its adoption (i.e. 2 June 2010).

All share options with the exercise prices of HK$0.6 and HK$0.844 granted under the Share Option Scheme had been exercised in full during the six months ended 30 September 2014 and was no outstanding share option throughout the year ended 31 March 2016 and as of 31 March 2016.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" above, at no time during the year was the Company, its holding company, nor any of its 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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors and management of the Group are reviewed and recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees. Details of the Share Option Scheme are set out in Note 26 to the consolidated financial statements.

KEY RELATIONSHIP WITH EMPLOYEES

The Group recognizes the employees 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 on-the-job training and providing opportunities within the Group for career advancement.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company for the year ended 31 March 2016.

CONTRACT OF SIGNIFICANCE

There was no contract of significance subsisting for the year ended 31 March 2016 in which a Director is or was materially interested, either directly or indirectly. And there was no contract of significance for the provision of services to the Group by its controlling Shareholder subsisted for the year ended 31 March 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws or the laws of Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, sales to the five largest customers accounted for approximately 93.9% of the total revenue of the Group and sales to the largest customer included therein accounted for approximately 56.1%.

Purchases from the Group's five largest suppliers accounted for approximately 79.1% of the total purchases for the year under review and purchases from the Group's largest supplier included therein amounted to approximately 25.9% of the total purchases for the year.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than five per cent of the issued share capital of the Company) had any beneficial interest in the Group's five largest customers or suppliers during the year under review.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

Customers

The Group is committed to offering high-quality services to customers. It values the opinions and feedback of all customers through various means and channels, including the usage of telephone, direct mail and after-sale return visit. This is to ensure that the Group is well aware of all customers' requirements or feedbacks on a timely basis and provides high quality services to its customers. In addition, the Group continues to proactively manage customer relations, expand its customer base and enhance customer loyalty.

Suppliers

The Group establishes working relationships with suppliers to meet customers' needs in an effective and efficient manner. The Group's requirements and standards are well-communicated to suppliers before placing orders in order to ensure the deliverance of high-quality samples. All key suppliers have a close and long term relationship with the Group.

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 the prescribed public float pursuant to the Listing Rules as at the date of this report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance and Bye-Law 191) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2016.

The Company had taken out and maintained appropriate corporate liability insurance coverage for the Directors and officers of the Company throughout the year ended 31 March 2016.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 22 to 32 in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental sustainability against modern ecological challenges. As a responsible corporate citizen, the Group has been actively taking steps to minimise the negative environmental impacts, reduce wastage and maximise energy efficiency which in turn provides a green and eco-friendly environment to the community. Green office practices such as double-sided printing and copying, promoting using recycled papers and reducing energy consumption by switching off idle lighting are encouraged in the operation of the Group's businesses. The Group will review its environmental practices from time to time and will consider implementing further practicable measures and practices to enhance environmental sustainability.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Gao Zhiyin
Chairman

Hong Kong
29 June 2016

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions ("Code Provisions") under the Corporate Governance Code throughout the year ended 31 March 2016, except for the following deviation:

Code Provision E.1.2 requires that the chairman of the board of the company should attend the annual general meeting. The chairman of the Board, Mr. Gao Zhiyin, was unable to attend 2015 AGM due to his other business engagements. Mr. Shi Jiguo, an executive Director, acted as the chairman of 2015 AGM in accordance with the Bye-Laws. The chairperson of the Audit Committee and Remuneration Committee, and the external auditor of the Company were present to be available to answer any question to ensure effective communication with the Shareholders.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2016.

BOARD OF DIRECTORS

The Board currently comprises seven Directors, including three executive Directors, namely Mr. Gao Zhiyin (chairman), Mr. Gao Zhiping (chief executive officer) and Mr. Shi Jiguo; three independent non-executive Directors, namely Mr. Lau Chi Kit, Mr. Lam Kai Yeung and Mr. Ma Ming; and one non-executive Director, namely Mr. Shum Ngok Wa.

The relationship among members of the Board and biographical details of the Directors who are currently serving on the Board are set out on pages 8 to 11 of this annual report. To the best knowledge of the Company and save as disclosed under the section headed "Biographical Details of Directors" of this report and interests set out in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" of this report, there is no financial, business, family or other material or relevant relationship(s) among members of the Board.

All Directors are subject to retirement by rotation and if eligible, may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws.

The Board collectively monitors performance and the related risks and controls in pursuit of the strategic objectives of the Company. Day-to-day management of the Company is delegated to executive Directors and management of the Company in charge of the Group's business.

To implement the strategies and plans effectively, executive Directors and the management meet on a regular basis to review the performance of the business of the Group, co-ordinate overall resources and make financial and operational decisions.

COMPLIANCE WITH LISTING RULES

The Board discovered that Dr. Chen Yifan, a former independent non-executive Director, did not fulfill the independence criteria under Rule 3.13 of the Listing Rules. Dr. Chen Yifan resigned as an independent non-executive Director with effect from 9 April 2015. Upon his resignation, Dr. Chen Yifan also ceased to be the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Details are set out below:

In its preparation for Acquisition (as defined in the Company's announcement dated 25 March 2015) and having received legal advice, the Board discovered that Dr. Chen Yifan, who was appointed as an independent non-executive Director on 26 July 2014 (the "Appointment Date"), did not satisfy the independence criteria set out in Rule 3.13 of the Listing Rules for the following reasons:

(1) From the Appointment Date to 15 December 2014, China TriComm Ltd. ("China TriComm") and Irixi Holding Limited ("Irixi") together held approximately 30.7% of the issued share capital of in Enablence Technologies Inc. ("Enablence"), which is a Canadian company listed on the TSX Venture Exchange (TSX.V:ENA). China TriComm is 100% owned by Unitech Enterprises Group Limited ("Unitech"), the Company's controlling shareholder held as to 60% and 40% by executive Directors, Mr. Gao Zhiyin and Mr. Gao Zhiping, respectively, whilst Irixi was in turn 60% held by China TriComm and 40% by Win Brand Limited ("Win Brand") (an independent third party at the relevant time). Enablence was therefore a core connected person of the Company pursuant to the Listing Rules at the relevant time. Dr. Chen Yifan had been and remains the chief executive officer of Enablence. Accordingly, Dr. Chen Yifan did not fulfill the independence requirement under Rule 3.13(7) of the Listing Rules by virtue of him being an executive of a core connected person of the Company. From 15 December 2014 onwards, due to the further issue of shares by Enablence to an independent third party, the interests of China TriComm and Irixi in Enablence fell to below 30%, and Enablence ceased to be a core connected person of the Company thereafter.

(2) From 6 March 2015 and up to 9 April 2015 (the resignation date of Dr. Chen Yifan), as a result of the issue of shares by Win Brand to Dr. Chen Yifan, he became a shareholder of Win Brand holding approximately 66.67% of its issued share capital. Win Brand held a 40% interest in Irixi. As a result, Dr. Chen Yifan did not fulfill the independence requirement under Rule 3.13(4) of the Listing Rules by virtue of his material interest in the business activity of or involvement in any material business dealings with Irixi, which was 60% held by Mr. Gao Zhiyin, an executive Director and a controlling Shareholder.

The Board and Dr. Chen Yifan have confirmed that the above non-compliance with Rule 3.13 of the Listing Rules was due to inadvertent oversight and misunderstanding of Rule 3.13 of the Listing Rules. For future appointments of independent non-executive Directors, the Board confirms that it will undertake thorough investigation of the background of the candidate, including its directorships, management roles and shareholdings in other companies, family relationships and the existence of business dealings with the Group and its connected persons, in order to ascertain whether the candidate fulfills the independence criteria under Rule 3.13 of the Listing Rules. Further, the Board will seek legal advice on the requirements of Rule 3.13 of the Listing Rules prior to the appointment as appropriate.

Nevertheless, following the resignation of Dr. Chen Yifan as an independent non-executive Director on 9 April 2015, the number of independent non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules and the number of members of the Audit Committee fell short of the requirement under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Ma Ming as an independent non-executive Director and a member of the Audit Committee on 8 July 2015, the Company has recomplied with the requirements of Rule 3.10(1) and Rule 3.21 of the Listing Rules.

COMPLIANCE WITH LISTING RULES (continued)

Save for disclosed above, during the year ended 31 March 2016, the Board had complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a minimum of three independent non-executive Directors and at least one independent non-executive Director having appropriate professional accounting or financial management experience.

Details of the above were also disclosed in the Company's announcements dated 9 April 2015 and 8 July 2015.

BOARD MEETINGS

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the Directors of the Board has full access to relevant information at the meetings. The Board has met four times during the year ended 31 March 2016 and conducted the following activities at such regular meetings:

(a) approved the interim and final results, interim and annual reports, and matters to be considered at the annual general meeting of the Company;

(b) reviewed and approved corporate strategies of the Group for the financial year ending 31 March 2017;

(c) reviewed the performance and financial position of the Group;

(d) reviewed, discussed and approved the matters in relation to the appointment of an independent non-executive Director; and

(e) approved the revised terms of reference of the Audit Committee.

CORPORATE GOVERNANCE FUNCTIONS

Pursuant to the Board Committees' terms of reference, the Board shall keep the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The Board shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to effect a high standard of corporate governance practices in the Group. The duties of the Board and the Board Committees, as the case may be, shall include the following aspects:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous development of the Directors and the management;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to review and approve the annual corporate governance report and related disclosures in annual and interim reports of the Group and ensure compliance with relevant requirements under the Listing Rules or the rules of any other stock exchange in respect of which the securities of the Company are listed or quoted, or other laws, regulations, rules and codes as may be applicable to the Group (the "Applicable Laws");

CORPORATE GOVERNANCE FUNCTIONS (continued)

(e) to make sure that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and in particular to monitor the implementation of the Group's plans to maintain a high level of compliance with its own risk management standard;

(f) to monitor if each of the Audit Committee, Remuneration Committee and Nomination Committee (or such other Board committee(s) from time to time established) has duly discharged their respective duties and obligations in accordance with their respective terms of reference, the Listing Rules and any Applicable Laws; and

(g) to review the Group's compliance with the Corporate Governance Code from time to time adopted by the Group and the disclosure in the corporate governance report to be contained in the Company's annual report.

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman of the Board and the chief executive officer of the Company are separate and performed by Mr. Gao Zhiyin and Mr. Gao Zhiping respectively since 16 August 2014. The Board believes that such arrangement is in the best interest of the Company and the Shareholders as a whole.

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTOR

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a fixed term of three years. The term of each of the independent non-executive Directors shall be renewable automatically for a successive term of three years each commencing from the next day after the expiry of their then current term of appointment, subject to retirement by rotation and re-election at an annual general meeting pursuant to the Bye-Laws unless terminated by not less than one month notice in writing.

A non-executive Director has entered into a letter of appointment with the Company for a term of one year commencing on 12 July 2016 and the term of non-executive Director shall be renewable for successive term of one year each commencing from the next day after the expiry of his then current term of appointment, subject to, amongst other things, retirement by rotation and re-election at an annual general meeting pursuant to the Bye-Laws unless terminated by not less than one month notice in writing.

Save as disclosed in the section headed "Compliance with Listing Rules" on pages 23 to 24 in this report, during the year under review, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each of existing independent non-executive Directors, namely Mr. Lau Chi Kit and Mr. Lam Kai Yeung, has made an annual confirmation of independence to the Company and Mr. Ma Ming, who was appointed on 8 July 2015, has made a confirmation of independence to the Company. Based on the contents of such confirmation, the Company considers that the existing independent non-executive Directors are independent and that they all meet the specific independence guideline as set out in Rule 3.13 of the Listing Rules.

BOARD COMMITTEES

The Board has established three Board Committees including the Nomination Committee, the Remuneration Committee and the Audit Committee. Details of the change of Board Committees are set out on pages 14 to 15 headed "Change in Composition of the Board and the Board Committees" of this annual report.

The Board has delegated some of its functions to the Board Committees, the details of which are discussed below.

Nomination Committee

The Nomination Committee currently comprises one executive Director, namely Mr. Gao Zhiyin (chairman) and two independent non-executive Directors, namely Mr. Lau Chi Kit and Mr. Lam Kai Yeung. It was established on 19 March 2012 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Nomination Committee can be found in the websites of the Stock Exchange and the Company.

The duties of the Nomination Committee are, but not limited to, to review, formulate and consider the nomination procedures as regards the appointment, reappointment and removal of Directors and to make recommendations to the Board regarding candidates to fill vacancies on the Board. No director takes part in any discussions and decisions about his own appointment.

Proposals for the appointment of a new director, if any, will be considered and reviewed by the Nomination Committee prior to recommending them to the Board for approval. All candidates to be selected and qualified to be members of the Board must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The Board will also seek legal advice on the requirements of Rule 3.13 of the Listing Rules prior to the appointment of any independent non-executive Director as appropriate.

Two meetings of the Nomination Committee were held during the financial year ended 31 March 2016 (with individual member's attendance as set out on page 28 of this report under the section of "Number of Meetings and Directors' Attendance"). The Nomination Committee conducted the following major work during the year ended 31 March 2016, amongst other things:

– reviewed the size, structure and the composition of the Board;

– reviewed the independence of independent non-executive Directors;

– made recommendations to the Board on the nomination and appointment of a new independent non-executive Director; and

– made recommendations to the Board on the nomination of Directors for re-election at 2015 AGM.

Board Diversity Policy

The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. On 29 August 2013, the Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company aims to achieve diversity of its board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional and industry experience. The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption to ensure its continued effectiveness.

BOARD COMMITTEES (continued)

Remuneration Committee

The Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman) and Mr. Lau Chi Kit and one executive Director, namely Mr. Gao Zhiyin. It was established by the Board on 8 September 2010 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Remuneration Committee can be found in the websites of the Stock Exchange and the Company.

The Remuneration Committee is primarily responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and the specific remuneration packages of individual Director and senior management of the Company. The remuneration of Directors will be determined by the Board with reference to the individual's experience duties and responsibilities with the Company, and the prevailing market conditions.

Two meetings of the Remuneration Committee were held during the financial year ended 31 March 2016 (with individual member's attendance as set out on page 28 of this report under the section of "Number of Meetings and Directors' Attendance") and conducted the following major work:

– reviewed the appropriateness of appointment letter of an independent non-executive Director;

– made recommendations to the Board on the remuneration package of an independent non-executive Director who was newly appointed during the year ended 31 March 2016;

– reviewed the remuneration packages of employees of the Group; and

– reviewed the bonus payment to employees of the Group for the year 2015.

No Director took part in any discussions and decisions about his own remuneration during the year ended 31 March 2016.

Pursuant to Code Provision B.1.5, a company should disclose details of any remuneration payable to members of the senior management by band for the year ended 31 March 2016 in its annual report. In the opinion of the Board, the Company has no senior management after completion of the disposal took place in July 2014 and up to the date of this annual report and no members of senior management would be included in this annual report.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lam Kai Yeung (chairman), Mr. Lau Chi Kit and Mr. Ma Ming. It was established by the Board on 8 September 2010 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Audit Committee can be found in the websites of the Stock Exchange and the Company.

Save as disclosed in the section headed "Compliance with Listing Rules" on pages 23 to 24 in this report, the Board had complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a minimum of three independent non-executive Directors and at least one independent non-executive Director, the chairman of the Audit Committee, having appropriate professional accounting or financial management experience.

The Audit Committee provides an important link between the Board and the Company's external auditor in matters coming within the scope of the Group's audit. It also reviews the annual and interim results of the Company prior to recommending them to the Board for approval, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

BOARD COMMITTEES (continued)

Audit Committee (continued)

During the year ended 31 March 2016, the Audit Committee has convened four meetings (with individual member's attendance as set out on page 28 of this report under the section of "Number of Meetings and Directors' Attendance") and conducted the following major work:

– reviewed the interim and annual reports of the Company together with the external auditor and management of the Company;

– reviewed with external auditor on the internal controls and financial matters of the Group in pursuance of the revised written terms of reference;

– reviewed the audit plans and findings of the external auditor of the Company;

– made recommendations to the Board on the appointment and re-appointment of the external auditor; and

– reviewed the revised terms of reference in order to comply with the Listing Rules amendment effected on or after 1 January 2016.

There was no disagreement between the Board's and the Audit Committee's view on the selection, appointment and resignation of external auditor.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2016 with the management and the external auditor of the Company and recommended its adoption by the Board.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Remuneration Committee Meetings (RCM), Nomination Committee Meetings (NCM) and Annual General Meeting (AGM) held for the year ended 31 March 2016 are set out below:

	Meetings attended/Eligible to attend For the year ended 31 March 2016				
	BM	**ACM**	**RCM**	**NCM**	**AGM**
Executive Directors					
Mr. Gao Zhiyin *(chairman)*	3/4	N/A	2/2	2/2	0/1
Mr. Gao Zhiping *(chief executive officer)*	3/4	N/A	N/A	N/A	0/1
Mr. Shi Jiguo	3/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Lau Chi Kit	4/4	4/4	2/2	2/2	1/1
Mr. Lam Kai Yeung	4/4	4/4	2/2	2/2	1/1
Mr. Ma Ming (appointed on 8 July 2015)	2/2	1/2	N/A	N/A	0/1
Dr. Chen Yifan (resigned on 9 April 2015)	N/A	N/A	N/A	N/A	N/A

note: Mr. Shum Ngok Wa, being a non-executive Director, was appointed on 12 July 2016.

DIRECTORS'S AND OFFICER'S INSURANCE

The Company has arranged appropriate corporate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a necessary induction and information to ensure that he has a proper understanding of the Company's business and operations. In addition, our external legal adviser conducts training for new Director(s) on the first occasion of his appointment, so that he is aware of Director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by reading regulatory updates provided by the company secretary of the Company to refresh their knowledge in corporate governance matters, as follows:

	Reading Regulatory Updates
Executive Directors	
Mr. Gao Zhiyin *(chairman)*	✓
Mr. Gao Zhiping *(chief executive officer)*	✓
Mr. Shi Jiguo	✓
Independent Non-Executive Directors	
Mr. Lau Chi Kit	✓
Mr. Lam Kai Yeung	✓
Mr. Ma Ming (appointed on 8 July 2015)	✓
Dr. Chen Yifan (resigned on 9 April 2015)	N/A

note: Mr. Shum Ngok Wa, being a non-executive Director, was appointed on 12 July 2016.

AUDITOR'S REMUNERATION

During the year, the nature of the audit and non-audit services provided by Deloitte Touche Tohmatsu, the existing auditor of the Company, and the relevant fee paid by the Company for such services are as follows:

Audit services of HK$1,270,000 for the Group; Non-audit services of HK$390,000 including:

– participating the interim results works;

– taxation services for the Group; and

– agreed-upon procedures on the Group's annual results announcement.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROLS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2016, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for overseeing and ensuring that a sound and effective internal control system is maintained within the Group in order to safeguard the Group's assets and the interests of the Shareholders. The management reviews and evaluates the control process and monitors any risk factors on a regular basis, and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

For the year under review, the Board conducted an annual review of the effectiveness of the Group's internal control system. The Board is satisfied that the existing internal control system of the Group is effective and adequate for its present requirement.

COMPANY SECRETARY

The Company Secretary, Ms. Sze Suet Ling who is an employee of the Company, met the requirements on professional training under the Rule 3.29 of the Listing Rules during the financial year ended 31 March 2016.

SHAREHOLDERS' RIGHTS

Convening a special general meeting on requisition

1.1 Shareholders have the right to call for a special general meeting on requisition in the manner prescribed by and set out in the Bye-Laws and the Companies Act.

1.2 Bye-Law 65 provides that "The Directors may, whenever they think fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, in default, may be convened by the requisitionists."

1.3 Pursuant to section 74 of the Companies Act, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "General Meeting Requisitionists") may by written requisition (the "General Meeting Requisition") to the Board or the secretary of the Company (the "Company Secretary"), require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

1.4 The General Meeting Requisition must state the purpose of the meeting, and must be signed by the General Meeting Requisitionists; the General Meeting Requisition may consist of several documents in like form each signed by one or more General Meeting Requisitionists.

SHAREHOLDERS' RIGHTS (continued)

Convening a special general meeting on requisition (continued)

1.5 The General Meeting Requisition shall be deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and copied to the head office and principal place of business of the Company at Rooms 4114 – 4119, 41st Floor, Sun Hung Kai Centre, No. 30 Harbour Road, Wanchai, Hong Kong and marked for the attention of the Board or the Company Secretary.

1.6 If the Board fails to proceed to convene such meeting within 21 days from the date of the deposit of General Meeting Requisition as set out in the paragraph 1.2 above, the General Meeting Requisitionists, or any of them representing more than one half of their total voting rights, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the General Meeting Requisition.

1.7 Any reasonable expenses incurred by the General Meeting Requisitionists by reason of the failure of the Directors to duly convene a meeting shall be repaid to the General Meeting Requisitionists by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Secretaries Limited

Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

Tel: (852) 2980 1333

Fax: (852) 2861 1465

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Address: Rooms 4114 – 4119, 41st Floor, Sun Hung Kai Centre, No. 30 Harbour Road, Wanchai, Hong Kong

Email: info@highlightiot.com

Tel: (852) 3950 6800

Fax: (852) 3429 0037

Attention: Board of Directors/Company Secretary

Shareholders are encouraged to make enquiries via the online enquiry form available on the Company's website at www.highlightiot.com.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

SHAREHOLDERS' RIGHTS (continued)

Procedures for putting forward proposals at general meeting

1. Subject to paragraph 2 below, pursuant to in Sections 79 and 80 of the Companies Act, Resolution Requisitionists (as defined in paragraph 2 below) may, by requisition in writing (the "Resolution Requisition"), request the Company to give to or circulate to (as the case may be) the Shareholders (i) notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company (the "Forthcoming AGM") (and such notice shall be given to Shareholders who are entitled to receive notice of the Forthcoming AGM); or (ii) any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting (and such notice shall be circulated to members entitled to have notice of any general meeting sent to them), at the expense of the Resolution Requisitionists.

2. "Resolution Requisitionists" means Shareholders making a requisition under paragraph 1 above and shall constitute either:

   (a) any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

   (b) not less than one hundred Shareholders.

3. A copy of the Resolution Requisition signed by the Resolution Requisitionists with their detailed contact information, or two or more copies containing the signatures of all the Resolution Requisitionists, shall be deposited at the registered office and copied to the head office and principal place of business of the Company at their respective address specified in above headed "convening a special general meeting on requisition":

   (a) in the case of Resolution Requisition requiring notice of a resolution, not less than six weeks before the Forthcoming AGM; and

   (b) in the case of any other requisition, not less than one week before the general meeting.

4. Resolution Requisitionists shall deposit or tender with the Resolution Requisition a sum reasonably sufficient to meet the Company's expenses in giving notice of any resolution or to circulate any statement as provided under the Companies Act.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 March 2016.

Deloitte.
德勤

TO THE MEMBERS OF HIGHLIGHT CHINA IOT INTERNATIONAL LIMITED
高銳中國物聯網國際有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Highlight China IoT International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 87, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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 its 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Continuing operation			
Revenue	7	**164,589**	365,690
Cost of sales		**(151,689)**	(338,448)
Gross profit		**12,900**	27,242
Other income		**158**	9
Net foreign exchange gains (losses)		**103**	(121)
Impairment loss recognised in respect of property, plant and equipment		**(1,081)**	–
Selling and distribution costs		**(14,161)**	(9,889)
Administrative expenses		**(18,252)**	(17,695)
Other expense		**(4,444)**	–
Loss before taxation		**(24,777)**	(454)
Income tax credit (expense)	9	**20**	(902)
Loss for the year from continuing operation	10	**(24,757)**	(1,356)
Discontinued operations			
Loss for the year from discontinued operations	11	**–**	(5,074)
Loss for the year		**(24,757)**	(6,430)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**–**	175
Other comprehensive income for the year		**–**	175
Reclassification adjustment:			
Reclassification of exchange differences on disposal of subsidiaries		**–**	(7,852)
		–	(7,852)
Total comprehensive expense for the year		**(24,757)**	(14,107)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Loss for the year attributable to owners of the Company:			
– from continuing operation		**(24,757)**	(1,356)
– from discontinued operations		**–**	(5,477)
		(24,757)	(6,833)
Profit for the year attributable to non-controlling interests:			
– from continuing operation		**–**	–
– from discontinued operations		**–**	403
		–	403
		(24,757)	(6,430)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(24,757)**	(14,510)
Non-controlling interests		**–**	403
		(24,757)	(14,107)
Loss per share	13		
From continuing and discontinued operations			
Basic (HK cents)		**(4.76)**	(1.34)
Diluted (HK cents)		**N/A**	(1.34)
From continuing operation			
Basic (HK cents)		**(4.76)**	(0.27)
Diluted (HK cents)		**N/A**	(0.27)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**–**	1,253
Goodwill	15	**–**	–
Intangible asset	16	**–**	–
Deferred tax assets	17	**–**	–
		–	1,253
Current assets			
Inventories	18	**4,140**	3,809
Trade receivables	19	**19,840**	83,311
Deposits, prepayments and other receivables	20	**30,244**	36,723
Bank balances and cash	21	**11,798**	8,913
		66,022	132,756
Current liabilities			
Trade payables	22	**24,302**	47,201
Accruals		**7,738**	9,183
Amount due to the immediate holding company	23	**10,000**	6,000
Amount due to a former subsidiary	23	**4,869**	28,046
Tax payable		**1,790**	1,499
		48,699	91,929
Net current assets		**17,323**	40,827
Total assets less current liabilities		**17,323**	42,080
Capital and reserves			
Share capital	24	**5,198**	5,198
Reserves		**12,125**	36,882
Equity attributable to owners of the Company		**17,323**	42,080
Non-controlling interests		**–**	–
Total equity		**17,323**	42,080

The consolidated financial statements on pages 35 to 87 were approved and authorised for issue by the Board of Directors (the "Board") on 29 June 2016 and are signed on its behalf by:

Gao Zhiyin
DIRECTOR

Gao Zhiping
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company								
	Share capital HK$'000 (Note 24)	**Share premium** HK$'000	**Special reserve** HK$'000 (note i)	**Share option reserve** HK$'000	**Foreign currency translation reserve** HK$'000	**Accumulated profits (losses)** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 April 2014	4,502	77,060	(22,325)	27,732	7,849	285,160	379,978	(1,718)	378,260
(Loss) profit for the year	–	–	–	–	–	(6,833)	(6,833)	403	(6,430)
Remeasurement of defined benefit obligations	–	–	–	–	–	175	175	–	175
Reclassification of exchange difference on disposal of subsidiaries (Note 11)	–	–	–	–	(7,852)	–	(7,852)	–	(7,852)
Total comprehensive (expense) income for the year	–	–	–	–	(7,852)	(6,658)	(14,510)	403	(14,107)
Exercise of share options	696	77,887	–	(27,732)	–	–	50,851	–	50,851
Transfer (note ii)	–	–	260,404	–	–	(260,404)	–	–	–
Disposal of subsidiaries (Note 11)	–	–	–	–	–	–	–	1,315	1,315
Share premium cancellation (note iii)	–	(154,947)	154,947	–	–	–	–	–	–
Dividend paid (Note 12)	–	–	(374,239)	–	–	–	(374,239)	–	(374,239)
At 31 March 2015	5,198	–	18,787	–	(3)	18,098	42,080	–	42,080
Loss for the year	–	–	–	–	–	(24,757)	(24,757)	–	(24,757)
Total comprehensive expense for the year	–	–	–	–	–	(24,757)	(24,757)	–	(24,757)
At 31 March 2016	**5,198**	**-**	**18,787**	**-**	**(3)**	**(6,659)**	**17,323**	**-**	**17,323**

notes:

(i) The special reserve represents (a) the reserve arising from a previous group reorganisation; and (b) cancellation of share premium, less special dividend of HK$374,239,000.

(ii) The transferred amount represented the net proceeds from the Disposal (as defined in Note 11), after deducting expenses directly attributable thereto for the distribution as special cash dividend out of special reserve.

(iii) Share premium cancellation was approved by the shareholders of the Company (the "Shareholders") at the special general meeting of the Company (the "SGM") held on 10 July 2014, pursuant to which the entire amount standing to the credit of the share premium account of the Company was cancelled and the credit arising from the share premium cancellation was transferred to the special reserve of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(24,757)**	(6,430)
Income tax (credit) expense from continuing operation	**(20)**	902
Income tax expense from discontinued operations	**–**	6,582
	(24,777)	1,054
Adjustments for:		
Depreciation of property, plant and equipment	**230**	6,932
Impairment loss on intangible asset	**–**	1,000
Impairment loss recognised in respect of property, plant and equipment	**1,081**	–
Losses arising from the Disposal (as defined in Note 11), before tax	**–**	19,390
Loss on disposal of property, plant and equipment	**–**	75
Gain on fair value changes of derivative financial instruments	**–**	(1,255)
Interest income	**(158)**	(302)
Interest on bank borrowings	**–**	855
Release of prepaid lease payments	**–**	25
Provision for the defined benefit obligations	**–**	185
Operating cash flows before working capital changes	**(23,624)**	27,959
Increase in inventories	**(331)**	(9,048)
Decrease (increase) in trade receivables	**63,471**	(148,042)
Decrease (increase) in deposits, prepayments and other receivables	**6,479**	(35,208)
(Decrease) increase in trade payables	**(22,899)**	51,566
(Decrease) increase in accruals	**(1,445)**	11,044
Increase in amounts due to related companies – trade	**–**	16,355
Proceeds from and settlement of derivative financial instruments	**–**	2,020
Cash from (used in) operations	**21,651**	(83,354)
Interest paid on bank borrowings	**–**	(855)
Tax refunded (paid)	**311**	(1,446)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**21,962**	(85,655)
INVESTING ACTIVITIES		
Interest received	**158**	302
Proceeds from disposal of property, plant and equipment	**–**	824
Disposal of subsidiaries (Note 11)	**–**	210,828
Legal and professional fee paid related to the Disposal (as defined in Note 11)	**–**	(8,396)
Purchase of property, plant and equipment	**(58)**	(10,451)
NET CASH FROM INVESTING ACTIVITIES	**100**	193,107
FINANCING ACTIVITIES		
Repayment to a former subsidiary	**(23,177)**	–
Advance from a former subsidiary	**–**	30,054
Advance from the immediate holding company	**4,000**	6,000
Bank borrowings raised	**–**	262,212
Proceed from exercise of share options	**–**	50,851
Repayment of bank borrowings	**–**	(119,625)
Dividend paid to shareholders	**–**	(374,239)
NET CASH USED IN FINANCING ACTIVITIES	**(19,177)**	(144,747)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,885**	(37,295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**8,913**	46,298
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**–**	(90)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing by bank balances and cash	**11,798**	8,913

1. GENERAL

Highlight China IoT International Limited (the "Company") is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Rooms 4114 - 4119, 41st Floor, Sun Hung Kai Centre, No. 30 Harbour Road, Wanchai, Hong Kong.

The Company changed its name from "Ford Glory Group Holdings Limited" to "Highlight China IoT International Limited" and adopted the Chinese name of "高鋭中國物聯網國際有限公司" as the secondary name to replace "福源集團控股有限公司" which has been used for identification purposes only. This change of name was approved by the Shareholders at the SGM and has become effective from 4 August 2014.

The Company is an investment holding company. Its subsidiaries are principally engaged in the garment sourcing business.

The Company's immediate and ultimate holding company is Unitech Enterprises Group Limited ("Unitech"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability, since 22 July 2014. Prior to this date, the Company's ultimate holding company was Victory City International Holdings Limited ("VC"), a company incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Stock Exchange, and the Company's immediate holding company was Sure Strategy Limited, a company incorporated in the BVI with limited liability.

The functional currency of the Company is United States dollars ("US$"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") because the Company's shares are listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 7	Disclosure Initiative[5]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 "Revenue from Contracts with Customers" (continued)

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

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

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

The total operating lease commitment of the Group in respect of rented office premises with lease terms of more than 12 months as at 31 March 2016 amounted to HK$3,441,000. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO 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 CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received, including losses indemnify by buyers, and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs).

Goodwill

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

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

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

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

Leasing

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and buildings

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

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful life that is acquired separately is carried at cost less subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on disposal group

The Group recognises an impairment loss for any initial or subsequent write-down of the disposal group to fair value less costs to sell, to the extent that it has not been recognised.

Foreign currencies

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

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

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

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

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Share-based payment transactions

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of services received determined by reference to the fair value of share options granted is expensed in full at the grant date when the share options vested immediately or on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

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

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities including trade payables and amounts due to the immediate holding company/a former subsidiary are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements within the next financial year, are discussed below.

Impairment loss of trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of the Group's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value. At 31 March 2016, the carrying amount of trade receivables was HK$19,840,000 (2015: HK$83,311,000).

Income taxes

Deferred tax asset in relation to unused tax losses of HK$25,491,000 (2015: HK$6,251,000) was not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such change takes place.

Impairment loss of property, plant and equipment

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount of an asset is estimated to be less than its carrying amount, a material impairment loss may arise. During the year ended 31 March 2016, the Group recognised an impairment loss of HK$1,081,000 (2015: Nil).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes amount due to the immediate holding company and amount due to a former subsidiary, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**32,459**	99,542
Financial liabilities		
Amortised cost	**39,171**	81,247

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances and cash, trade payables, amounts due to the immediate holding company/a former subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's operations are mainly located in Hong Kong and the United States of America (the "USA") and the exposure in exchange rate risks mainly arises from fluctuations in Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Renminbi is under a managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

At the end of the reporting period, the Group is exposed to foreign currency risk arising from the Group's monetary assets and monetary liabilities that are denominated in currency other than the functional currency of the relevant group entities are as follows:

	Liabilities		Assets	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
Renminbi ("RMB")	**4,482**	6,750	**–**	394

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's bank balances and cash and trade payables.

Sensitivity analysis

At 31 March 2016, the Group was mainly exposed to foreign currency risk of RMB.

The following table detailed the Group's sensitivity to increase and decrease in functional currency of the relevant group entities against the relevant foreign currency by 5%, and vice versa. A positive number below indicated an increase in Group's profit where functional currency strengthens by 5% against foreign currency. If functional currency weaken by 5% against foreign currency, there would be an equal and opposite impact on the profit or loss of the Group. 5% was the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. On this basis, there would be a decrease/increase in loss for the year as follow, where the functional currency of the relevant group entities weaken against the foreign currencies by 5%, and vice versa.

	2016 **HK$'000**	2015 HK$'000
Loss for the year	**224**	265

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on its bank balances. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

In the opinion of the directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the impact to the Group's results is not significant.

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.

In order to minimise its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 March 2016, the Group had a concentration of credit risk as the top five trade debtors accounted for approximately 97% (2015: 96%) of its total trade debt balance. In view of this, senior management members regularly visit these customers to understand their business operations and cash flows position. In this regard, management considers that this credit concentration risk has been significantly mitigated.

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

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. As at 31 March 2015 and 31 March 2016. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

	Weighted average effective interest rate %	**On demand or less than 1 month HK$'000**	**1 to 3 months HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
2016					
Non-derivative					
Trade payables	–	15,425	8,877	24,302	24,302
Amount due to the immediate holding company	–	10,000	–	10,000	10,000
Amount due to a former subsidiary	–	4,869	–	4,869	4,869
		30,294	8,877	39,171	39,171

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2015					
Non-derivative					
Trade payables	–	38,870	8,331	47,201	47,201
Amount due to the immediate holding company	–	6,000	–	6,000	6,000
Amount due to a former subsidiary	–	28,046	–	28,046	28,046
		72,916	8,331	81,247	81,247

(c) Fair value measurement of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The management considers that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

7. REVENUE

The Group's revenue represents the amounts received and receivables for sourcing of garment products, less sales returns and allowances.

8. SEGMENT INFORMATION

Following the completion of disposal of subsidiaries as detailed in Note 11, the Group derives all its revenue from the garment sourcing business. The chief operating decision maker monitors the revenue, result, assets and liabilities of the garment sourcing business as a whole based on the monthly management accounts which are substantially in conformity with HKFRSs and considers the segment revenue and segment result of the Group represented revenue and profit for the year for continuing operation as stated in the consolidated statement of profit or loss and other comprehensive income respectively. Accordingly, no further segment information is presented.

Geographical information

The Group's operation is mainly located in Hong Kong and the USA.

The Group's revenue from external customers by location of customers is detailed below:

	Revenue from external customers		Non-current assets	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
USA	**98,817**	298,615	**–**	–
Canada	**48,464**	45,506	**–**	–
Mexico	**17,308**	18,719	**–**	–
Japan	**–**	1,847	**–**	–
France	**–**	1,003	**–**	–
Hong Kong	**–**	–	**–**	1,253
	164,589	365,690	**–**	1,253

Information about major customers

Revenue from customers contributing to over 10% of the Group's total annual revenue are as follows:

	2016 HK$'000	2015 HK$'000
Customer A	**92,293**	287,962
Customer B (note)	**33,504**	N/A
Customer C (note)	**17,308**	N/A

note: N/A represents the customers contributed less than 10% of the Group's total annual revenue.

9. INCOME TAX (CREDIT) EXPENSE

	2016 **HK$'000**	2015 HK$'000
Continuing operation		
Hong Kong Profits Tax		
– current year	**–**	917
– overprovision in respect of prior years	**(20)**	(15)
	(20)	902

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2016 **HK$'000**	2015 HK$'000
Loss before taxation (from continuing operation)	**(24,777)**	(454)
Tax at the domestic income tax rate of 16.5%	**(4,088)**	(75)
Tax effect of expenses that are not deductible for tax purpose	**931**	84
Tax effect of income not taxable for tax purpose	**(18)**	(123)
Tax effect of tax losses not recognised	**3,175**	1,031
Overprovision in respect of prior years	**(20)**	(15)
Income tax (credit) expense for the year	**(20)**	902

Details of deferred taxation are set out in Note 17.

10. LOSS FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Continuing operation		
Loss for the year has been arrived at after charging:		
Auditor's remuneration		
– current year	**1,240**	1,480
– underprovision in prior year	**30**	–
Directors' remuneration (note i)	**3,688**	2,898
Other staff costs		
– salaries and wages	**5,217**	9,361
– retirement benefit scheme contributions	**197**	299
Total staff costs	**9,102**	12,558
Depreciation of property, plant and equipment:	**230**	228
Legal and professional expenses (included in other expense) (note)	**4,444**	–
and after crediting:		
Interest income (included in other income)	**158**	9

note: The legal and professional fees were incurred in relation to the proposed acquisition of Highlight Holding Limited, which subsequently did not proceed. Details of which are disclosed in the announcements of the Company dated 25 March 2015 and 1 January 2016.

During the year ended 31 March 2015, included in the other staff costs was an aggregate amount of HK$299,000 in respect of defined contribution pension scheme made by the Group (Note 25).

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of profit or loss and other comprehensive income for both years.

10. LOSS FOR THE YEAR (continued)

(note i):

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	Directors' fees HK$'000	Salaries and allowance HK$'000	Retirement benefit scheme contributions HK$'000	Total 2016 HK$'000
EXECUTIVE DIRECTORS				
Gao Zhiyin *(Chairman)*	1,200	–	–	1,200
Gao Zhiping *(Chief Executive Officer)*	1,200	–	–	1,200
Shi Jiguo	600	–	–	600
Sub–total	3,000	–	–	3,000
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Lau Chi Kit	250	–	–	250
Lam Kai Yeung	250	–	–	250
Chen Yifan (note i)	5	–	–	5
Ma Ming (note ii)	183	–	–	183
Sub–total	688	–	–	688
Total	3,688	–	–	3,688

10. LOSS FOR THE YEAR (continued)

(note i): (continued)

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows: (continued)

	Directors' fees HK$'000	Salaries and allowance HK$'000	Retirement benefit scheme contributions HK$'000	Total 2015 HK$'000
EXECUTIVE DIRECTORS				
Gao Zhiyin *(Chairman)*	819	–	–	819
Gao Zhiping *(Chief Executive Officer)*	819	–	–	819
Shi Jiguo	410	–	–	410
Choi Lin Hung (note iii)	–	–	–	–
Lau Kwok Wa, Stanley (note iii)	–	–	–	–
Ng Tze On (note iii)	63	29	5	97
Sub–total	2,111	29	5	2,145
NON-EXECUTIVE DIRECTORS				
Chen Tien Tui (note iv)	–	–	–	–
Li Ming Hung (note iv)	–	–	–	–
Sub–total	–	–	–	–
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Lau Chi Kit	224	–	–	224
Lam Kai Yeung	157	–	–	157
Chen Yifan	171	–	–	171
Mak Chi Yan (note v)	67	–	–	67
Wong Wai Kit, Louis (note v)	67	–	–	67
Yuen Kin Kei (note v)	67	–	–	67
Sub–total	753	–	–	753
Total	2,864	29	5	2,898

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

10. LOSS FOR THE YEAR (continued)

(note i): (continued)

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows: (continued)

notes:

(i) Dr. Chen Yifan resigned as an independent non-executive director on 9 April 2015.

(ii) Mr. Ma Ming was appointed as an independent non-executive director on 8 July 2015.

(iii) Mr. Choi Lin Hung, Mr. Lau Kwok Wa, Stanley and Mr. Ng Tze On resigned as executive directors on 16 August 2014.

(iv) Mr. Chen Tien Tui and Mr. Li Ming Hung resigned as non-executive directors on 16 August 2014.

(v) Mr. Mak Chi Yan, Mr. Wong Kai Kit, Louis and Mr. Yuen Kin Kei resigned as independent non-executive directors on 16 August 2014.

Employees

The five highest paid individuals of the Group included three (2015: three) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2015: two) individuals of the Group, not being directors of the Company, are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**928**	1,687
Contributions to retirement benefits scheme	**29**	37
	957	1,724

Their emoluments of each of these two employees did not exceed HK$1,000,000 for both years.

During each of the two years ended 31 March 2016, (i) no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the directors waived any emoluments.

11. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES

On 14 March 2014, the Company and Sure Strategy Limited ("Sure Strategy") entered into a conditional disposal agreement for the disposal of its garment manufacturing and trading business (the "Disposal") (the "Disposal Agreement").

Sure Strategy was the Company's former immediate holding company. Sure Strategy was then owned as to 49% by Merlotte Enterprise Limited (a company incorporated in the BVI and is wholly-owned by Mr. Choi Lin Hung, who was a former director of the Company and one of the Company's ultimate beneficial shareholder before the Disposal) and as to 51% by Victory City Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of VC.

According to the Disposal Agreement, Sure Strategy agreed to purchase, and the Company agreed to sell the entire issued share capital of Ford Glory Holdings Limited (a wholly-owned subsidiary of the Company and an investment holding company prior to the Disposal), which, together with its subsidiaries held the garment manufacturing and trading business at a cash consideration of HK$270,000,000 and a tax indemnity from Sure Strategy in which Sure Strategy would fully indemnify the Group in respect of tax liability resulting from the Disposal of any amount that exceeds HK$1,200,000. The Disposal was approved by the Shareholders at the SGM and the Disposal was completed on 22 July 2014, on which date the control of Ford Glory Holdings Limited was passed to Sure Strategy.

The Group ceased the garment manufacturing and trading business ("Discontinued Operations") upon the completion of Disposal. Accordingly, the results of garment manufacturing and trading business for the year ended 31 March 2015 had been separately presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

The loss from the garment manufacturing and trading business for the year ended 31 March 2015 was analysed as follows:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) HK$'000
Profit for the year ended 31 March 2015	18,941
Losses arising from the Disposal	(24,015)
	(5,074)

11. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (continued)

The results of the Discontinued Operations which had been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) HK$'000
Revenue	302,622
Cost of sales	(238,497)
Gross profit	64,125
Other income	451
Other gains and losses	204
Selling and distribution costs	(11,430)
Administrative expenses	(31,597)
Interest on bank borrowings	(855)
Profit before taxation	20,898
Income tax expense	(1,957)
Profit for the year from discontinued operations	18,941
Attributable to:	
Owners of the Company	18,538
Non-controlling interests	403
	18,941

Loss per share

Basic loss per share from the Discontinued Operations for the year ended 31 March 2015 was 1.07 HK cents per share, based on the loss for the year ended 31 March 2015 from the Discontinued Operations attributable to owners of the Company of HK$5,477,000.

11. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (continued)

Loss per share (continued)

Profit for the year ended 31 March 2015 from Discontinued Operations included the following:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) HK$'000
Directors' remuneration (note i)	992
Other staff costs	42,818
Total staff costs	43,810
Depreciation of property, plant and equipment	6,704
Release of prepaid lease payments	25
Loss on disposal of property, plant and equipment	75
Impairment loss on intangible asset	1,000
Interest on bank borrowings:	
– wholly repayable within five years	718
– not wholly repayable within five years, which contain a repayment on demand clause	137
	855
and after crediting:	
Net gain on fair value changes of derivative financial instruments	1,255
Interest income	293

11. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (continued)

Loss per share (continued)

(note i):

The emoluments paid or payable to each of the fourteen directors (from Discontinued Operations) were as follows:

	Directors' fees HK$'000	Salaries and allowance HK$'000	Retirement benefit scheme contributions HK$'000	Total 2015 HK$'000
EXECUTIVE DIRECTORS				
Gao Zhiyin *(Chairman)*	–	–	–	-
Gao Zhiping *(Chief Executive Officer)*	–	–	–	-
Shi Jiguo	–	–	–	-
Choi Lin Hung	334	334	5	673
Lau Kwok Wa, Stanley	231	–	5	236
Ng Tze On	83	–	–	83
Sub-total	648	334	10	992
NON-EXECUTIVE DIRECTORS				
Chen Tien Tui	–	–	–	-
Li Ming Hung	–	–	–	-
Sub-total	–	–	–	-
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Lau Chi Kit	–	–	–	-
Lam Kai Yeung	–	–	–	-
Chen Yifan	–	–	–	-
Mak Chi Yan	–	–	–	-
Wong Wai Kit, Louis	–	–	–	-
Yuen Kin Kei	–	–	–	-
Sub-total	–	–	–	-
Total	648	334	10	992

11. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (continued)

The net cash flows generated by Discontinued Operations are presented below:

	1 April 2014 to 22 July 2014 (date of completion of the Disposal) HK$'000
Net cash flows used in operating activities	(171,753)
Net cash flows used in investing activities	(10,192)
Net cash flows from financing activities	195,220
Net cash flows	13,275

The net assets of the subsidiaries disposed of at the date of completion of the Disposal were as follows:

	As at 22 July 2014 HK$'000
Analysis of assets and liabilities over which control was lost	
Property, plant and equipment	151,907
Prepaid lease payments	3,566
Goodwill	5,970
Deferred tax assets	2,404
Inventories	185,832
Trade and bills receivables	181,531
Deposits, prepayments and other receivables	83,704
Amount due from fellow subsidiaries	1,265
Derivative financial instruments	2,634
Tax recoverable	380
Bank balances and cash	59,172
Trade and bills payables	(52,842)
Other payables and accruals	(37,740)
Amounts due to fellow subsidiaries and a former subsidiary	(22,507)
Tax payable	(16,700)
Bank borrowings	(253,793)
Defined benefit obligations	(1,454)
Deferred tax liabilities	(2,373)
Net assets disposed of	290,956

11. DISCONTINUED OPERATIONS/DISPOSAL OF SUBSIDIARIES (continued)

	As at 22 July 2014 HK$'000
Losses arising from the Disposal	
Cash consideration	270,000
Tax indemnity receivable (note)	3,425
	273,425
Net assets of HK$290,956,000, net of impairment for disposal group of HK$18,846,000	(272,110)
Non-controlling interests	(1,315)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on disposal of subsidiaries	7,852
	7,852
Legal and professional fee related to the Disposal	(8,396)
Tax arising on disposal	(4,625)
	(5,169)
Impairment loss recognised on the disposal group	(18,846)
	(24,015)
Net cash inflow arising on disposal	
Cash consideration received	270,000
Less: bank balances and cash disposed of	(59,172)
	210,828

note: This relates to the excess of tax liabilities resulting from the Disposal indemnified by Sure Strategy pursuant to the Disposal Agreement. The Group recognised the receivable at the same time that it recognised the excess tax liability and measured both items on the same basis. The receivable is subjected to impairment assessment for uncollectable amounts.

12. DISTRIBUTIONS

No final/interim dividend was paid or proposed for the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

During the year ended 31 March 2015, a special cash dividend of HK$0.72 per ordinary share was declared by the Board and was approved by the Shareholders at the SGM held on 10 July 2014. The aggregate amount of the special dividend declared and paid out of special reserve amounted to HK$374,239,000 which was paid on 22 July 2014.

13. LOSS PER SHARE

From continuing and discontinued operations

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

	2016 **HK$'000**	2015 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(24,757)**	(6,833)
Number of shares		
Number of ordinary shares (2015: Weighted average number of ordinary shares) for the purposes of basic loss per share	**519,777,000**	508,437,671

From continuing operation

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

Earnings figures are calculated as follows:

	2016 **HK$'000**	2015 HK$'000
Loss for the year attributable to owners of the Company	**(24,757)**	(6,833)
Less: loss for the year from Discontinued Operations attributable to owners of the Company	**–**	(5,477)
Loss for the purpose of basic loss per share from continuing operation	**(24,757)**	(1,356)

For the year ended 31 March 2016, no diluted loss per share is presented as there was no potential dilutive ordinary share outstanding during the year.

For the year ended 31 March 2015, the computation of diluted loss per share did not assume the conversion of the Company's share options since their exercise would result in decrease in loss per share from continuing operation.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2014	103,638	31,800	36,968	6,839	74,309	–	253,554
Additions	–	885	1,382	10	6,727	1,447	10,451
Disposals	–	(242)	(246)	(203)	(2,598)	–	(3,289)
Disposal of subsidiaries (Note 11)	(103,638)	(30,072)	(36,902)	(6,646)	(78,204)	(1,447)	(256,909)
At 31 March 2015	–	2,371	1,202	–	234	–	3,807
Additions	–	5	–	–	53	–	58
Disposals	–	–	–	–	(29)	–	(29)
At 31 March 2016	**–**	**2,376**	**1,202**	**–**	**258**	**–**	**3,836**
DEPRECIATION AND IMPAIRMENT							
At 1 April 2014	15,768	20,657	17,400	4,026	45,163	–	103,014
Provided for the year	1,374	1,148	1,512	367	2,531	–	6,932
Eliminated on disposals	–	(161)	(244)	(150)	(1,835)	–	(2,390)
Eliminated on disposal of subsidiaries (Note 11)	(17,142)	(19,584)	(18,286)	(4,243)	(45,747)	–	(105,002)
At 31 March 2015	–	2,060	382	–	112	–	2,554
Provided for the year	–	33	158	–	39	–	230
Eliminated on disposals	–	–	–	–	(29)	–	(29)
Impairment loss recognised in profit or loss	–	283	662	–	136	–	1,081
At 31 March 2016	**–**	**2,376**	**1,202**	**–**	**258**	**–**	**3,836**
CARRYING VALUE							
At 31 March 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 March 2015	–	311	820	–	122	–	1,253

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Taking into account the residual values, the above items of property, plant and equipment are depreciated using the straight-line method at the following rates per annum:

Leasehold land and buildings	Over 25 years or the term of the lease, if shorter
Furniture, fixtures and equipment	15% – 25%
Leasehold improvements	Over 5 to 10 years or the term of the relevant leases, if shorter
Motor vehicles	20%
Plant and machinery	$6^{2}/_{3}$% – 25%

During the year ended 31 March 2016, the Group recognised an impairment loss of HK$1,081,000 in respect of plant and equipment due to the continuous losses incurred by the Group. Management determined that there is no resale value for the assets (mainly comprise leasehold improvements and computer equipment). Accordingly, the entire outstanding amounts of plant and equipment have been impaired.

15. GOODWILL

	HK$'000
COST	
At 1 April 2014	5,970
Disposal of subsidiaries (Note 11)	(5,970)
At 31 March 2015 and 2016	**–**

For the purposes of impairment testing, goodwill was allocated to a group of CGUs, which was included in the garment manufacturing and trading business. The segment represents the lowest level within the Group at which the goodwill was monitored for internal management purposes.

16. INTANGIBLE ASSET

	HK$'000
COST	
At 1 April 2014	1,000
Disposal of subsidiaries (Note 11)	(1,000)
At 31 March 2015 and 2016	**–**
IMPAIRMENT	
At 1 April 2014	–
Impairment loss recognised in profit or loss	1,000
Eliminated upon disposal of subsidiaries (Note 11)	(1,000)
At 31 March 2015 and 2016	**–**
CARRYING VALUES	
At 31 March 2015 and 2016	**–**

The intangible asset represented a trademark acquired. While the trademark had a registered life of 7 years, the directors were of the opinion that it can be renewed at minimal cost upon expiration of its registration and practically has indefinite useful life. Accordingly, no amortisation was recognised on the trademark while impairment testing will be performed at least annually.

The trademark had been allocated to a cash-generating unit under the garment manufacturing and trading business. During the year ended 31 March 2015, the management determined that the intangible asset was fully impaired, an impairment loss of HK$1,000,000 was recognised in the profit or loss.

17. DEFERRED TAXATION

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

	Accelerated tax and accounting depreciation HK$'000	**Dividend withholding tax** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2014	1,421	(2,108)	710	23
Credit (charge) to profit or loss	25	(67)	50	8
Disposal of subsidiaries (Note 11)	(1,446)	2,175	(760)	(31)
At 31 March 2015 and 2016	**–**	**–**	**–**	**–**

17. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group had unused tax losses of HK$25,491,000 (2015: HK$6,251,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such losses due to the unpredictability of future profit streams (2015: Nil). Such unused tax losses may be carried forward indefinitely.

Under the Enterprise Income Tax Law of the PRC withholding tax was imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation had been fully provided for in respect of the undistributed profits from these PRC subsidiaries in the consolidated financial statements. All PRC subsidiaries were sold on 22 July 2014 as set out in Note 11.

18. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Finished goods	**4,140**	3,809

19. TRADE RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade receivables	**19,840**	83,311
Less: allowance for doubtful debts	**–**	–
	19,840	83,311

The Group allows its trade customers a credit period of 30 to 150 days. The following is an aged analysis of trade receivables, presented based on the invoice date at the end of each reporting period:

	2016 **HK$'000**	2015 HK$'000
0 – 30 days	**7,591**	10,715
31 – 60 days	**5,793**	33,982
61 – 90 days	**5,518**	25,492
91 – 120 days	**393**	5,415
Over 120 days	**545**	7,707
	19,840	83,311

Before accepting any new customer, the Group assesses and understands the potential customer's credit quality. Management reviews each customers credit quality regularly. All trade receivables that are neither past due nor impaired have good credit quality after taking into account the repayment history of the trade customers. The Group has not identified any credit risk on these trade receivables.

19. TRADE RECEIVABLES (continued)

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$8,037,000 (2015: HK$68,089,000) which were past due at the reporting date but for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired

	2016	2015
	HK$'000	HK$'000
31 – 60 days	**3,288**	31,737
61 – 90 days	**3,811**	23,230
91 – 120 days	**393**	5,415
Over 120 days	**545**	7,707
	8,037	68,089

The Group did not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality. The Group has assessed the credit quality of the trade receivables by using internal assessment, taking into account the repayment history and financial background of the trade customers and has not identified any credit risk on these trade receivables.

Movement in the allowance for doubtful debts

	2016	2015
	HK$'000	HK$'000
Balance at beginning of the year	**–**	878
Disposal of subsidiaries	**–**	(878)
Balance at end of the year	**–**	–

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Deposits paid for purchases of raw materials and garment products	**29,345**	22,543
Other deposits and prepayments	**800**	2,787
Others	**99**	11,393
	30,244	36,723

21. BANK BALANCES AND CASH

These represent bank balances and cash held by the Group. Bank balances carry interest at market rates ranging from 0.001% to 1% (2015: from 0.001% to 1%) per annum.

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

	2016 HK$'000	2015 HK$'000
RMB	**–**	373

22. TRADE PAYABLES

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

	2016 HK$'000	2015 HK$'000
0 – 60 days	**13,005**	16,063
61 – 90 days	**6,077**	16,349
Over 90 days	**5,220**	14,789
	24,302	47,201

The average credit period for purchase of goods is 30 days (2015: 30 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit periods granted.

22. TRADE PAYABLES (continued)

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

	2016	2015
	HK$'000	HK$'000
RMB	**4,482**	6,750

23. AMOUNTS DUE TO THE IMMEDIATE HOLDING COMPANY/A FORMER SUBSIDIARY

The amounts represented advances from the immediate holding company/a former subsidiary are unsecured, interest-free and repayable on demand.

24. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2014, 31 March 2015 and 31 March 2016	**900,000,000**	**9,000**
Issued and fully paid:		
As at 1 April 2014	450,262,000	4,502
Exercise of share options (Note 26)	69,515,000	696
As at 31 March 2015 and 31 March 2016	**519,777,000**	**5,198**

All shares rank pari passu in all respects.

25. RETIREMENT BENEFIT PLANS

(i) Defined contribution plan

The Group has operated a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK$30,000 (prior to 1 June 2014: limited to 5% of HK$25,000) for each eligible employee) as calculated under the MPF legislation.

Both the defined contribution retirement benefits scheme and the MPF scheme co-existed within the Group in both years.

As at 31 March 2016 and 2015, there were no forfeited contributions available to offset future employers' contributions to the scheme.

In addition, the overseas subsidiary of the Company is required to contribute amounts based on employees' salaries to the retirement benefit schemes as stipulated by relevant local authority. The employees are entitled to these subsidiary's contributions subject to the regulations of the relevant local authorities.

(ii) Defined benefit plan

The Company's subsidiary incorporated in Indonesia, which was disposed of as at 22 July 2014 as set out in Note 11, had a defined benefit pension plan (the "Plan") for qualifying employees who were recruited by the subsidiary. The defined benefit pension plan required contributions to be made to separately administered funds.

Under the Plan, the employees were entitled to retirement benefits varying between nil and 100 per cent of final salary on attainment of a retirement age of 55. No other post-retirement benefits were provided to these employees.

The Plan in Indonesia exposed the Group to actuarial risks such as interest rate risk and salary risk.

Interest risk	A decrease in the bond interest rate would increase the plan liability; however, this would be partially offset by an increase in the return on the Plan's debt investments.
Salary risk	The present value of the defined benefit plan liability was calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the Plan participants would increase the Plan's liability.

25. RETIREMENT BENEFIT PLANS (continued)

(ii) Defined benefit plan (continued)

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2014 by Padma Radya Aktuaria, Fellow of the Society of Actuaries of Indonesia. The present value of the defined benefit obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.00%
Expected rate of salary increase	8.00%
Mortality rate (note)	Indonesia Mortality Table 2011 ("TMI3")
Morbidity rate	5% TMI3
Early resignation rate	15% up to age 30, reducing to 0% at age 55

note: TMI3 is issued by the Insurance Council by Indonesia.

During the year ended 31 March 2015, amounts recognised in comprehensive income in respect of this defined benefit pension plan was as follows:

	HK$'000
Current service cost	69
Net interest expense	116
Components of defined benefit costs recognised in profit or loss	185
Remeasurement on the net defined benefit liability:	
Actuarial gains arising from changes in demographic assumptions	–
Actuarial gains arising from changes in financial assumptions	–
Actuarial gains arising from experience adjustments	(175)
Components of defined benefit gain recognised in other comprehensive income	(175)
Total	10

The expense for the year ended 31 March 2015 was included in the employee benefit expenses in the profit or loss.

25. RETIREMENT BENEFIT PLANS (continued)

(ii) Defined benefit plan (continued)

The remeasurement of the net defined benefit liability was included in other comprehensive income.

As at 31 March 2015, no amount was included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit pension plans.

Movements in the present value of the defined benefit obligations in the year ended 31 March 2015 was as follows:

	HK$'000
Defined benefit obligations at beginning of the year ended 31 March 2015	1,494
Current service cost	69
Interest cost	116
Actuarial gains arising from experience adjustments	(175)
Exchange difference	(50)
Disposal of subsidiaries (Note 11)	(1,454)
Defined benefit obligations at end of the year ended 31 March 2015	–

26. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme of the Company

Pursuant to a written resolution passed on 2 June 2010, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentives to eligible participants including eligible directors and eligible employees. The Share Option Scheme will remain in force for a period of ten years from the date of its adoption (i.e. 2 June 2010).

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the date of adoption of the Share Option Scheme. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per grant of option(s). Options may, subject to the black-out periods under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Option Scheme of the Company (continued)

The following table discloses movements in the Company's share options during the current and prior years:

Category	Grant date	Vesting period	Exercise price HK$	Exercisable period	Number of share options: Outstanding at 1.4.2014	Exercised during the year ended 31.3.2015	Outstanding at 31.3.2015 and 31.3.2016
Former Directors							
Mr. Lau Kwok Wa, Stanley (note i)	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	5,350,000	(5,350,000)	–
Mr. Ng Tze On (note i)	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	5,350,000	(5,350,000)	–
Employees							
Mr. Ng Tsze Lun	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	21,000,000	(21,000,000)	–
	27.4.2011	27.4.2011 – 26.4.2013	0.844	27.4.2013 – 26.4.2016	37,000,000	(37,000,000)	–
Other employees (note ii)	2.6.2010	5.10.2010 – 4.10.2012	0.6	5.10.2012 – 31.5.2020	350,000	(350,000)	–
	27.4.2011	27.4.2011 – 26.4.2013	0.844	27.4.2013 – 26.4.2016	465,000	(465,000)	–
					69,515,000	(69,515,000)	–
Exercisable at the end of the year					69,515,000		–
Weighted average exercise price					HK$0.73	HK$0.73	–

notes:

(i) Mr. Lau Kwok Wa, Stanley and Mr. Ng Tze On resigned as Directors on 16 August 2014.

(ii) Other employees include employees of the Group (other than former Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

(iii) In respect of the share options exercised during the year ended 31 March 2015, the weighted average share price at the dates of exercise was HK$2.97.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

	2016 HK$'000	2015 HK$'000
Minimum lease payments paid by the Group under operating leases during the year	**3,225**	4,505

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

	2016 HK$'000	2015 HK$'000
Within one year	**2,220**	2,539
In the second to fifth year inclusive	**1,221**	3,441
	3,441	5,980

Leases are negotiated for terms ranging from one to five years and rental is fixed throughout the lease period.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the statement of financial position of the Company as at 31 March 2016 and 31 March 2015:

	2016 **HK$'000**	2015 HK$'000
Non-current assets		
Investment in a subsidiary, unlisted	**1**	1
Property, plant and equipment	**–**	1,140
	1	1,141
Current assets		
Deposits	**583**	3,253
Amount due from a subsidiary	**71,527**	77,907
Bank balances and cash	**804**	1,305
	72,914	82,465
Current liabilities		
Accruals	**6,835**	4,049
Amount due to the immediate holding company	**10,000**	6,000
Amounts due to subsidiaries	**36,794**	36,794
Tax payable	**1,200**	889
	54,829	47,732
Net current assets	**18,085**	34,733
Total assets less current liabilities	**18,086**	35,874
Capital and reserves		
Share capital	**5,198**	5,198
Reserves (note (a))	**12,888**	30,676
	18,086	35,874

note:

(a) **Reserves**

	Share premium and special reserve HK$'000	**Share option reserve** HK$'000	**Accumulated profits (losses)** HK$'000	**Total** HK$'000
At 31 March 2014	161,466	27,732	491	189,689
Profit for the year	–	–	165,071	165,071
Transfer	260,404	–	(260,404)	–
Dividend paid	(374,239)	–	–	(374,239)
Exercise of share options	77,887	(27,732)	–	50,155
At 31 March 2015	125,518	–	(94,842)	30,676
Loss for the year	–	–	(17,788)	(17,788)
At 31 March 2016	**125,518**	**–**	**(112,630)**	**12,888**

29. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following transactions with related parties:

	notes	**2016 HK$'000**	2015 HK$'000
VC Group			
Purchase of fabrics	(a)	**–**	14,086
Purchase of yarn	(a)	**–**	2,434
Utility expenses paid		**–**	1,219
Rental income received		**–**	124
Other related party			
Purchase of apparel	(b)	**–**	32,103

notes:

(a) During the period from 1 April 2014 to 22 July 2014, the Group purchased fabrics and yarn from VC and its subsidiaries ("VC Group"), which ceased to be the controlling shareholder of the Group on 22 July 2014.

(b) During the year ended 31 March 2015, the Group purchased apparel products from Kimberley (Qing Yuan) Garment Limited ("Kimberley"). Kimberley was controlled by a former director who ceased to be a director of the Company on 16 August 2014. Kimberley was deemed to be a connected party to the Group.

(ii) Compensation of key management personnel

The Directors and the employees included in the five highest paid individuals (Note 10) are identified as key management members of the Group, their compensation during both years are set out in Note 10 to the consolidated financial statements.

30. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ authorized capital	Attributable equity interest held by the Company Directly **2016 %**	Directly 2015 %	Indirectly **2016 %**	Indirectly 2015 %	Principal activities
Best Keen International Limited	the British Virgin Islands	Ordinary US$50,000	**100**	100	**–**	–	Investment holding
Top Value Inc.	the United States of America	Common stock US$1,000	**–**	–	**100**	100	Trading of garment products
United Gainer Investment Limited	Hong Kong	Ordinary HK$1	**–**	–	**100**	100	Trading of garment products

None of the subsidiaries had any debt securities subsisting at 31 March 2016 or at any time during the year.

GLOSSARY

Abbreviation	Definition
2015 AGM	annual general meeting of the Company held on 22 September 2015
Audit Committee	audit committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time
Board	the board of Directors
Board Committees	Audit Committee, Nomination Committee and Remuneration Committee
Bye-Law(s)	the bye-laws of the Company, as amended from time to time
Company	Highlight China IoT International Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
Corporate Governance Code	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
HK$	Hong Kong dollars, the lawful currency of Hong Kong
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nomination Committee	nomination committee of the Company established by the Board on 19 March 2012 with written terms of reference, as amended from time to time
Remuneration Committee	remuneration committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
Share Option Scheme	share option scheme conditionally adopted by the Company on 2 June 2010 which became effective upon the Shares were listed on the Stock Exchange on 5 October 2010
Shareholder(s)	holder(s) of the Share(s) in issue
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	per cent.

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