GROUND INTERNATIONAL
广泽国际

GROUND INTERNATIONAL DEVELOPMENT LIMITED
廣 澤 國 際 發 展 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code：989

ANNUAL REPORT 2016/17

Contents

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAI Xiu *(Chairperson)*
CUI Xintong *(Deputy Chairperson)*
(appointed on 14 September 2016)
WANG Guanghui *(Chief Executive Officer)*
(appointed as Chief Executive Officer on 14 September 2016)
HUANG Bingxing

Independent Non-executive Directors

CHAN Yuk Tong
MEI Jianping
XIANG Qiang *(appointed on 25 August 2016)*
WEI Lidong *(resigned on 25 August 2016)*

BOARD COMMITTEES

Audit Committee

CHAN Yuk Tong *(Chairperson)*
MEI Jianping
XIANG Qiang *(appointed on 25 August 2016)*
WEI Lidong *(resigned on 25 August 2016)*

Remuneration Committee

CHAN Yuk Tong *(Chairperson)*
CHAI Xiu
MEI Jianping
XIANG Qiang *(appointed on 25 August 2016)*
WEI Lidong *(resigned on 25 August 2016)*

Nomination Committee

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

COMPANY SECRETARY

NG Man Kit Micky

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1305, 13th Floor
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2209 2888
Fax: (852) 2209 2988
Website: http://www.ground-international.com

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISOR

Michael Li & Co.

AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial Bank Co., Ltd.

STOCK CODE

989

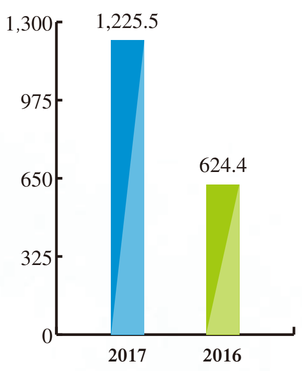
Financial Highlights

RATIO HIGHLIGHT

	2017	2016 (Restated)
Profitability Financial Ratio		
Gross profit margin (%)	27%	25%
Asset Management Ratios		
Debtor turnover ratio (Days)	70	58
Stock turnover ratio (Days)	213	136
Liquidity Financial Ratios		
Working capital ratio (times)	1.50	1.18
Quick ratio (times)	0.40	0.26
Debt Management Ratios		
Gearing ratio (%)	51%	69%
Interest coverage ratio (times)	5.26	(0.10)

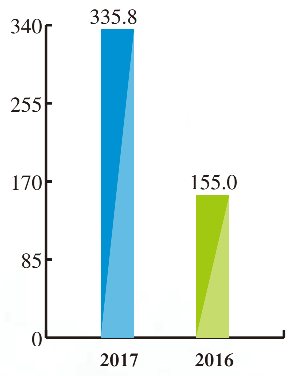
REVENUE

RMB'M



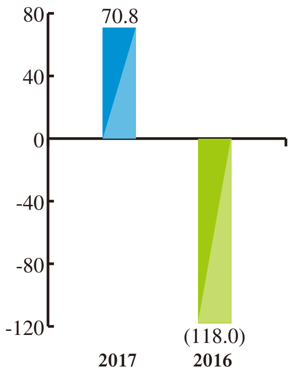
GROSS PROFIT

RMB'M



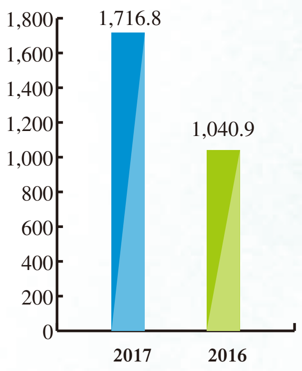
PROFIT (LOSS) FOR THE YEAR

RMB'M



NET ASSETS

RMB'M



Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Ground International Development Limited ("Ground International" or the "Company"), I submit herewith the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017.

The Group completed a very substantial acquisition on 27 July 2016 and officially changed its name from Ground Properties Company Limited to Ground International Development Limited on 22 September 2016. Based on the Group's three business segments of property development and management, property investment, and telecommunications retail sales and management services, the Group is paving its ways for a comprehensive business transformation, upgrade and adjustment. With the relentless efforts of all its employees, the Group recorded an overall revenue of RMB1,226 million during the year, representing a year-on-year growth of 96.3%. Gross profit amounted to RMB336 million, representing a year-on-year growth of 131%. The Group achieved a turnaround and recorded a net profit of RMB70,793,000.

Given the prevailing conditions of the PRC real estate market and the concept of "all-for-one tourism" being put forward, the cultural tourism, healthcare and elderly care sectors will gradually become the trend and direction for new development. To effectively promote its business development, the Group has formulated clear long-term growth strategies and objectives, and identified a growth model of "one primary sector as supplemented by two" (一主兩輔) where "one primary sector" refers to cultural tourism and healthcare sector and "two supplementary sectors" refers to the property development and operation management sector and the financial services sector as part of the business adjustment and upgrade transformation.

In the midst of policy changes to the tourism and property sectors as well as the comprehensive upgrade of tourism consumption in China, the Group's landmark cultural tourism project under its existing strategic development plans – 長白山廣澤果松小鎮國際度假村 (Changbaishan Ground Pine Township International

Resort) as being branded under "廣澤•長白山烏拉小鎮" project is following the national sector policies and has carried out an upgrade revision on the overall positioning and planning development of such tourism project so as to develop it into a higher growth potential project that generates ongoing economic benefits. After rounds of discussion and advice from experts, "廣澤•長白山烏拉小鎮" is identified as a project with culture as core focus, and supported by healthcare sector and supplemented by leisure and entertainment. The project of "廣澤•長白山烏拉小鎮" will explore the thousand-year historical culture of Liao and Jin dynasties, Shamanism and Chaoxian minority, and blend into the characteristics and local customs such as local cuisines, living styles and folk customs with a view to building an education base of a non-inheritance Northeastern China experience and showcase; and to shaping the travel, living and healthcare resort destination for the Chinese families. This also aligns with the national policy direction of building 1,000 unique feature towns by 2020. At present, the domestic mass tourism in China reached 4.0 billion tourists with tourism spending of RMB40 trillion. With the increasing popularity of tourism, the Group will use "廣澤•長白山烏拉小鎮" as the starting point and plan to establish its cultural tourism resort network nationwide. In March, the Group has projects in the pipeline including Taixing Mountain scenic area in Shanxi and Shengshuitang cultural tourism and healthcare project in Jiangxi. In addition, the Group is looking for other regions with abundant tourism resources and greater marketing potential including Sanya, Xishuangbanna, Jiuzhaigou and Hangzhou, thus laying a solid foundation for the long-term development of the Group's core businesses.

Chairman's Statement

The Group remains prudently optimistic about the prospects of the real estate market in China. According to the figures published by the National Bureau of Statistics, investments in property development in China in 2016 amounted to RMB10,258.1 billion, representing a year-on-year growth of 6.9%. Among which, investments in residential property amounted to RMB6,870.4 billion, representing a year-on-year increase of 6.4% and accounting for 67.0% of the investments in property development. At the same time, annual sales of residential properties increased by 36.1%[1]. Upon completion of the acquisition of the entire equity interests in Ka Yun Investments Limited and its subsidiaries on 27 July 2016, the Group has strengthened the property development business, but also expanded the market share of the Group's property development and management business in Jilin Province. With the expanding property development business and growing brand recognition, the Group has carried out ongoing structural changes to its own businesses and endeavoured its market penetration within the regions in Jilin Province and new market expansion. At the same time, the Group will also integrate and expand the property projects in the first-tier and second-tier cities in the Yangtze River Delta and Pearl River Delta regions in China so as to achieve nationwide coverage, to build its own national brand and to create synergistic effects with a view to generating profits and cash flows for the Group in the short to medium term.

In addition to property development and management business, the Group will continue to develop property investment, enhance the quality of investment properties, optimise the property investment portfolios locally and abroad as well as strengthen the linkage between this business segment and the property development and management business so as to generate synergies.

To strengthen business linkage, the Group subscribed for shares in Jiutai Rural Commercial Bank, the largest rural commercial bank in Jilin, allotted during its initial public offering in January 2017. In addition, the Group considers not only that the financial platforms can cater for the finance lease or micro finance demands from other SMEs, but also allow the Group to flexibly capture the business opportunities from the local economic growth and community project development so as to facilitate the diversified development and needs of the Group's principal businesses. Accordingly, in May 2017, the Group acquired a PRC local guarantee company (i.e. 吉林省灃潤擔保有限公司 (Jilin Province Fengrun Guaranty Company Limited*)) to further expand the financial services business. This investment and acquisition business will generate steady revenue for the Group.

The telecommunication retail sales and management services sales weakened during the year, achieving annual revenue of RMB193 million as compared to last year's revenue of RMB202 million. Nevertheless, this business segment's profit contribution remained stable at RMB22.1 million (2016: RMB23.1 million) under the management's stringent cost control measures.

Looking ahead, the Group will uphold the strategic development principle of "one primary sector as supplemented by two" (一主兩輔). With the cultural tourism and healthcare sector as the core business, the Group will continue to capture the opportunities arising from the development of the property market in Jilin Province. At the same time, the Group will fully utilise the financial services platform to timely launch quality, innovative and competitive projects to local markets. Seizing the growth opportunities arising from the cultural tourism and healthcare sector and driven by the rising number of tourists locally and abroad as well as local economic growth, the Group will continue to adopt diversified property development strategies and maintain a balanced property portfolio. The Group will promote the brand awareness and recognition of its tourism and

[1] http://www.stats.gov.cn/tjsj/zxfb/201701/t20170120_1455967.html

property businesses so as to build a solid foundation for sustainable growth in the future. At the same time, the Group will extend and explore high growth potential opportunities on a nationwide scale and expand the scope of tourism, property development as well as financial services businesses to other provinces so as to enhance the value of projects and achieve asset diversification.

In addition, as set out in the recently published announcement, given that 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*) is a company ultimately and wholly-owned by foreign invested shareholder, the subsidiary of the Group will not be likely to obtain the nationwide call center service business operation permit. Accordingly, in the absence of the nationwide call center business operation permit, the Group will not be eligible to participate in the tender to be conducted by the national telecommunication operator and consequently will have to cease its operation of the call center business. After careful consideration, the management of the Company proposed to dispose of the entire telecommunications retail sales and management services business (including the call center business) to centralise its resources and efforts in the cultural tourism and healthcare, property development and financial services with a view to generating sustainable long-term value to the shareholders.

Last but not least, on behalf of the Board, I would like to express my sincere appreciation to our colleagues for their collective contribution to the Group's development. I would also like to thank our shareholders for their unwavering support. We resolve to continue to pursue further excellence in the future so as to achieve simultaneous growth of our three business segments of "one primary sector as supplemented by two" (一主兩輔).

Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW

On 27 July 2016, the Company completed the acquisition of the entire equity interest in Ka Yun Investments Limited ("Ka Yun") and its subsidiaries (collectively the "Ka Yun Group"), which is principally engaged in the development, sale and leasing of residential, commercial and tourism properties and the provision of property management services in the People's Republic of China (the "PRC") for a consideration of HK$4,650 million (the "Ka Yun Acquisition"). Further details are set out in the section headed "Ka Yun Acquisition" in this "Management Discussion and Analysis".

Ka Yun Acquisition has the aim of bolstering development of the Group's property business and presenting synergies to its existing businesses and has enabled the Group to hasten property development on the platform it has built, expanding property development and management business in Jilin province to enlarge its market share, so that it may with better advantages capture growth opportunities in the market and expand its businesses at opportune time to other provinces and cities in the PRC.

Since changing its name from Ground Properties Company Limited to Ground International Development Limited on 22 September 2016, the Group has been able to implement its business diversification strategy

more comprehensively during the year. However, with a view that the call center business within the telecommunications retail sales and management service segment is unlikely to obtain the relevant nationwide permit necessary to participate in the future tender process, on 7 June 2017, the Board resolved to authorise the management of the Group to commence searches for and negotiations with potential purchasers for the disposal of the Group's interest in members of the Group comprising the telecommunications retail sales and management services business.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2017, overall revenue of the Group was approximately RMB1,225.5 million (2016: RMB624.4 million), representing a year-on-year increase of 96.3%. Gross profit was RMB335.8 million (2016: RMB155.0 million). Net profit after tax was RMB70.8 million (2016: net loss after tax of RMB118.0 million).

Property Development and Management

- Guangze • Tudors Palace (廣澤 • 瀾香)
- Guangze • Amethyst City (廣澤 • 紫晶城)
- Guangze Red House (廣澤紅府)
- Guangze China House (廣澤蘭亭)
- Wansheng • Qiancheng International* 萬升 • 前城國際
- Guangze International Shopping Centre – residential (廣澤國際購物中心－住宅)
- Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村)

Property Investment

- Enterprise Square – Office premises in Hong Kong
- Guangze International Shopping Centre (廣澤國際購物中心)

Property development

Contracted sales

For the year ended 31 March 2017, the Group launched pre-sales of the second phase of Guangze Red House (廣澤紅府) project, which is mainly a residential property project located in Yanji City, Jilin Province. In addition, the Group was focusing on the sales of the high-end villas and apartments at Guangze • Tudors Palace (廣澤 • 瀾香), which is located at Jilin City, Jilin Province. Wansheng • Qiancheng International* (萬升 • 前城國際), a project that was acquired by the Group in January 2016, commenced pre-sales of the first part of the second phase of the project.

BUSINESS REVIEW (continued)

Property development (continued)

Contracted sales (continued)

A breakdown of the total contracted sales of the Group during the year ended 31 March 2017 is set out as follows:

City	Project name	Type of project	Contracted saleable gross floor area ("GFA")		Contracted sales		Contracted average selling price ("ASP")
			Sq.m.	*%*	*RMB'000*	*%*	*RMB/Sq.m.*
Jilin	Guangze • Tudors Palace (廣澤 • 瀾香)	– Residential	9,742.3	6.7	104,714.0	13.5	10,748.4
	Guangze • Amethyst City (廣澤 • 紫晶城)	– Residential	4,384.5	3.0	20,310.4	2.6	4,632.3
	Wansheng • Qiancheng International* (萬升 • 前城國際)	– Residential	5,081.4	3.5	20,499.4	2.7	4,034.2
Yanji	Guangze Red House (廣澤紅府)	– Residential	94,582.8	64.6	467,062.6	60.4	4,938.1
		– Commercial	261.1	0.2	2,546.2	0.3	9,751.8
Baishan	Guangze International Shopping Centre (廣澤國際購物中心)	– Residential	6,036.8	4.1	22,746.6	2.9	3,768.0
		– Commercial	1,244.5	0.8	21,379.0	2.8	17,178.8
	Guangze China House (廣澤蘭亭)	– Residential	25,166.8	17.2	114,582.7	14.8	4,552.9
			146,500.2		773,840.9		5,282.2

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property development (continued)

Properties completed, delivered and sale of properties recognised during the year ended 31 March 2017

For the year ended 31 March 2017, the property projects in Jilin City, Baishan City and Yanji City contributed revenue arising from the sale of properties (excluding car parks) of RMB983.5 million with GFA recognised of approximately 147,810 sq.m. as compared to that of RMB364.9 million with GFA recognised of approximately 68,927 sq.m. for the year ended 31 March 2016. The increases in sales by 169.5% and GFA recognised by 114.4% were attributable to the completion and delivery of Guangze • Tudors Palace (廣澤 • 瀾香) and Guangze Red House (廣澤紅府) – Phase I during the year ended 31 March 2017 whereas there were no property projects completed during the year ended 31 March 2016. The sale of properties during the year ended 31 March 2016 was related to the sales of the remaining units of the property projects of Guangze • Amethyst City (廣澤 • 紫晶城) and Guangze International Shopping Centre (廣澤國際購物中心).

For the year ended 31 March 2017, the Group delivered and recognised sale of car park units of approximately RMB11 million from the sale of 101 car park units (2016: RMB19.5 million from 144 car park units).

BUSINESS REVIEW (continued)

Property development (continued)

Properties completed, delivered and sale of properties recognised during the year ended 31 March 2017 (continued)

Details of the projects completed and sale of properties of the Group recognised for the year ended 31 March 2017 are listed below:

City	Project name	Type of project	Saleable GFA of properties completed *Sq.m.*	Delivered saleable GFA *Sq.m.*	Delivered sales (gross) RMB'000	Delivered ASP *RMB/Sq.m.*
Jilin	Guangze • Tudors Palace (廣澤 • 瀾香)	– Residential	93,610	63,861	608,298	9,525
	Guangze • Amethyst City (廣澤 • 紫晶城)	– Residential	–	11,965	51,976	4,344
		– Commercial	–	7,128	69,328	9,726
Baishan	Guangze International Shopping Centre (廣澤國際購物中心)	– Residential	–	5,878	21,323	3,628
		– Commercial	–	55	784	14,255
Yanji	Guangze Red House (廣澤紅府) – Phase I	– Residential	61,778	55,975	248,731	4,444
		– Commercial	8,683	2,948	33,028	11,204
				147,810	1,033,468	6,992
Sales of car parks					11,594	
Less: sales tax					(50,570)	
Sales of properties					994,492	

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property development (continued)

Projects under development and held for development

As at 31 March 2017, the Group had a total of 4 projects at various stages of development, including an estimated GFA of projects under development of approximately 817,948 sq.m., and an estimated GFA of project held for future development of approximately 292,094 sq.m..

Of the Group's projects under development, the Group's high-end resort style mixed development project, namely Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村) situated at Guosong Village in Donggang Town (東崗鎮), Fusong County (撫松縣), Baishan City is planned to be the Group's major project in the next few years as the Group focuses on property development that involves cultural tourism (文化旅遊). The project will be of a resort style and bear the culture of Northeastern China. In order to complement the residential, commercial, hotel and hostel properties, hot spring centre as well as the natural scenery in the surrounding area of Changbaishan, the resort will include commercial street (商業街), various cultural and entertainment facilities. It is intended to offer all visitors with a wide range of activities when visiting Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村). As at 31 March 2017, the project is progressing as planned.

City	Project name	Type of project	Estimated GFA *Sq.m.*
Projects under development			
Jilin	Wansheng • Qiancheng International* 萬升 • 前城國際	– Residential	27,057
Yanji	Guangze Red House（廣澤紅府）	– Residential (Phase II)	122,509
Baishan	Changbaishan Ground Pine Township International Resort（長白山廣澤果松小鎮國際度假村）#	– Residential/Commercial (including hotels)	539,646
	Guangze China House（廣澤蘭亭） – Phase I	– Residential	128,736
Sub-total			817,948

BUSINESS REVIEW (continued)

Property development (continued)

Projects under development and held for development (continued)

City	Project name	Type of project	Estimated GFA *Sq.m.*
Projects held for development			
Baishan	Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村) #	– Residential/Commercial (including hotels)	207,761
	Guangze China House (廣澤蘭亭) – Phase II	– Residential	84,333
Sub-total			292,094
Total			1,110,042

The estimated GFA of Changhaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村) decreased from 1,111,458 sq.m. to 747,407 sq.m. as the plot ratio stated in the construction work planning permit issued by local urban planning administration authority was adjusted as the Group plans to construct a high-end low density tourist resort.

Subsequent to 31 March 2017, the Group succeeded in a public tender for the acquisition of the land use right of a land parcel in Yanji City, Jilin Province, the PRC, with a total site area of 48,591 sq.m..

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property investment

As at 31 March 2017, the Group held two investment properties, one being office premises and car parks in Kowloon Bay, Hong Kong and the other being certain units of a shopping centre in Baishan City, the PRC.

			Year ended 31 March	
	Location of the property	Total leasable area	2017 Occupancy rate	2016 Occupancy rate
Enterprise Square	Kowloon Bay, Hong Kong	40,505 sq.ft.	89.9%	23.2%
Guangze International Shopping Centre (廣澤國際購物中心)	Baishan City, the PRC	68,433 sq.m.	78.0%	62.2%

As at 31 March 2017, the Group leased out all units of Enterprise Square at Kowloon Bay, Hong Kong. For the Guangze International Shopping Centre (廣澤國際購物中心), the Group is currently adjusting the tenant mix at the shopping mall to enhance the traffic flow so as to improve the occupancy rate of the shopping mall.

Telecommunications retail sales and management services

During the reporting year, the Group continued to integrate and optimize its telecommunications retail and management services and the segment brought revenue amounting to RMB193.1 million (2016: RMB202.4 million). Gross profit was RMB60.9 million (2016: RMB61.0 million) and gross profit margin was 31.5% (2016: 30.1%). Net profit after tax was approximately RMB22.1 million (2016: RMB23.1 million). The stable result was mainly attributable to the saturated market of telecommunications industry after substaining fast growth for past years.

PROSPECTS

Cultural Tourism

Given the prevailing conditions of the PRC real estate market and the concept of "all-for-one tourism" being put forward, the cultural tourism, healthcare and elderly care sectors gradually become the trend and direction for new development. To effectively promote its business development, the Group has formulated clear long-term growth strategies and objectives, and identified a growth model of "one primary sector as supplemented by two" (一主兩輔) where "one primary sector" refers to cultural tourism and healthcare and elderly care sectors and "two supplementary sectors" refers to the property development and operation management sector and the financial services sector as part of the business adjustment and upgrade transformation.

Looking forward, riding on the booming PRC real estate market and the trend of the government's strong efforts in promoting cultural tourism and healthcare business, the Group will adopt a flexible and diversified business model to generate ongoing and steady revenue and growth from its tourism and related property projects, being landscape tourism focus, developing a south-to-north tourism business belt with "Ground" characteristics.

On 31 March 2017, the Group entered into non-legally binding memoranda of understanding with 長春歐亞神龍灣旅遊有限責任公司 (Changchun Ouya Shenlongwan Tourism Limited Liability Company*, "Shenlongwan Tourism") and 江西聖水堂文化旅遊發展有限公司 (Jiangxi Shengshuitang Cultural Tourism Development Company Limited*, ("Jiangxi Shengshuitang") respectively (collectively the "MOUs"), pursuant to which the Group proposed to inject cash of RMB200,000,000 into Shenlongwan Tourism and to establish a joint venture company with Jiangxi Shengshuitang and other possible joint venture partners. As at the date of this annual report, the due diligence work and feasibility studies remain in progress. Details of the MOUs were set out in the Company's announcements dated 31 March 2017.

Property development

Upon completion of the acquisition of the entire equity interests in Ka Yun and its subsidiaries on 27 July 2016, the Group has carried out ongoing structural changes to its own businesses, and endeavored its market penetration within the regions in Jilin Province and new market expansion. At the same time, the Group will also integrate and expand the property projects in the first-tier and second-tier cities in the Yangtze River Delta and Pearl River Delta regions in China so as to achieve nationwide coverage of property projects and to build its own national brand.

The Group successfully acquired the land use rights of a land parcel in Yanji City, Jilin Province (the "Land") by way of listing-for-sale. The Land has a total site area of approximately 48,591 sq.m. with a plot ratio of approximately 2.25. The Land is mainly used for the development of residential and commercial properties. Other details relating to the Land are set out in the announcement of the Company dated 16 May 2017.

Management Discussion and Analysis

PROSPECTS (continued)

Financial Services

On the other hand, high emphasis has been placed on privately-owned economy and micro-finance service in Jilin Province over the year of 2017, including innovating financing methods, improving the financing structures, solving micro enterprise high-difficulty high-cost financing problem, and gradually improving the quality of the micro-finance service. In addition, it is expected that micro-finance sector has been announced by the PRC Government to be an area that will help accelerate the development of privately-owned economy. Through the establishment of more micro-finance enterprises, it helps build "supportive" relationship between financial, governmental and privately-owned commercial sectors. In view of the above, the Group is also seeking opportunities to develop and expand into micro-finance sectors to create potential synergies with the Group's current property development business and to enhance its value to the Group's shareholders and stakeholders.

On 28 March 2017, the Group won the relevant public tender and entered into the public tender equity transfer agreements with the shareholders of 吉林省中業商務信息諮詢有限公司 (Jilin Zhongye Business Information Advisory Company Limited*) and 吉林灃潤商務信息諮詢有限公司 (Jilin Fengrun Business Information Advisory Company Limited*) (collectively the "Target Companies"). The main asset of the Target Companies is an investment in a subsidiary with principal activity engaged in provision of guarantees in the PRC which is in line with the Group's development strategies in micro-finance sector. Details of the acquisition were set out in the Company's announcements dated 9 January 2017 and 28 March 2017 respectively. The acquisition was completed in May 2017 and the total consideration of RMB505.9 million has been settled in cash from the Group's internal resources and equity financing.

Telecommunications Retail Sales and Management Services

As set out in the announcement dated 7 May 2017, given that 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*), the subsidiary of the Group, is a company ultimately and wholly-owned by foreign invested shareholder, it will not be likely to obtain the nationwide call center business operation permit. Accordingly, in the absence of the nationwide call center business operation permit, the Group will not be eligible to participate in the tender to be conducted by the national telecommunication operator and consequently will have to cease its operation of the call center business in June 2017. The management of the Company has been authorised by the Board on 7 June 2017 to commence searches for and negotiations with potential purchasers for the disposal of the Group's interests in members of the Group comprising the telecommunications retail sales and management services business (including the call center business) to centralise its resources and efforts in the cultural tourism, healthcare and elderly care, property development and financial services sectors with a view to generating sustainable long-term value to the shareholders.

PROSPECTS (continued)

Overall speaking, the Group will uphold the strategic development principle of "one primary sector as supplemented by two" (一主兩輔). With the cultural tourism and healthcare sector as the core business, the Group will continue to capture the opportunities arising from the development of the property market in Jilin Province. The Group will fully utilise the financial services platform to timely launch quality, innovative and competitive projects to local markets. Seizing the growth opportunities arising from the cultural tourism and healthcare sector and driven by the rising number of tourists locally and abroad as well as local economic growth, the Group will continue to adopt diversified property development strategies and maintain a balanced property portfolio. The Group will promote the brand awareness and recognition of its tourism and property businesses so as to build a solid foundation for sustainable growth in the future. At the same time, the Group will extend and explore high growth potential opportunities on a nationwide scale and expand the scope of tourism, property development and management as well as financial services businesses to other provinces so as to enhance the value of projects and achieve asset diversification. The Group will endeavor to strive for excellence with a view to achieving synchronized development of its three major business segments under the business model of "one primary sector as supplemented by two" (一主兩輔).

FINANCIAL REVIEW

Since the completion of the Ka Yun Acquisition on 27 July 2016, the Group was enlarged by the injection of the property development business held by Ka Yun Group. The consolidated financial statements of the Company had retrospectively accounted for the financial performance and financial position of Ka Yun Group since 24 April 2015 on a merger accounting basis as the Company and Ka Yun are both under the common control of Ms. Cui Xintong ("Ms. Cui"), an Executive Director and the controlling shareholder of the Company.

In addition, in view of the above Ka Yun Acquisition, as most of the subsidiaries within the Group operate in the PRC and has a functional currency in Renminbi, the presentation currency of the consolidated financial statements have been changed from Hong Kong dollars to Renminbi. The comparatives figures for the previous year have also been changed accordingly.

The unaudited net asset values of the Group as at 30 September 2016 and 31 March 2016 should be RMB1,507.4 million and RMB1,040.9 million as compared with those of RMB1,620.8 million and RMB1,154.3 million disclosed in the interim financial report for the six months ended 30 September 2016, respectively. The variance is primarily attributable to the difference in unit development costs on certain projects used for the transfer into costs of properties sold in prior years.

During the year, upon completion of the Ka Yun Acquisition, the Group further strengthened its two core businesses, namely property development and management, and property investment.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to statement of profit or loss items

Revenue

Sales of properties became the major source of income for the Group accounting for 81.1% of the Group's total revenue for the year ended 31 March 2017 (2016: 61.6%). The analysis of the Group's revenue is as follows:

	Year ended 31 March 2017		Year ended 31 March 2016	
	RMB'000	%	RMB'000	%
Sale of properties	994,492	81.1	384,381	61.6
Sales of headphones, mobile phones and telecommunications equipment and products	71,081	5.8	90,553	14.5
Telecommunications retail sales and management services income	66,117	5.4	55,788	8.9
Telecommunications call center services income	55,878	4.6	56,072	9.0
Rental income	20,119	1.6	16,326	2.6
Property management service income	17,858	1.5	21,320	3.4
	1,225,545	100.0	624,440	100.0

The Group's revenue increased from RMB624.4 million for the year ended 31 March 2016 to RMB1,225.5 million for the year ended 31 March 2017 or an increase by 96.3%, mainly contributed by the increase in sales of properties by RMB610.1 million. The increase in sales of properties was attributable to the completion and delivery of the Group's two residential projects, namely Guangze • Tudors Palace (廣澤 • 瀾香) and Guangze Red House (廣澤紅府) – Phase I, amounting to RMB848.1 million for the year ended 31 March 2017. The sales of properties recognised of RMB384.4 million for the year ended 31 March 2016 were mainly related to the sales recognised on the remaining units in respect of Guangze • Amethyst City (廣澤 • 紫晶城) – Phases I and II and Guangze International Shopping Centre (廣澤國際購物中心).

Gross proit and gross margin

The Group's overall gross profit has increased from RMB155.0 million for the year ended 31 March 2016 to RMB335.8 million for the year ended 31 March 2017 and gross margin has increased from 24.8% for the year ended 31 March 2016 to 27.4% for the year ended 31 March 2017 which were mainly attributable to the recognised sales of Guangze • Tudors Palace (廣澤 • 瀾香) that earned a higher margin.

Other income and gains

The Group's other income and gains decreased from RMB30.3 million for the year ended 31 March 2016 to RMB29.5 million for the year ended 31 March 2017. In the year ended 31 March 2017, the Group earned RMB27.9 million (2016: RMB15.9 million) from the government subsidy. The government grants in both years were related to the financial subsidies received for the contribution to the development of infrastructure in Baishan City.

FINANCIAL REVIEW (continued)

Key changes to income statement items (continued)

Selling and distribution costs

The decrease in selling and distribution costs by RMB5.6 million from RMB54.8 million for the year ended 31 March 2016 to RMB49.2 million for the year ended 31 March 2017 was mainly contributed by the decrease in advertisement expenses from fewer advertising activities for the sales of Guangze International Shopping Centre.

Administrative expenses

The decrease in administrative expenses by RMB9.7 million from RMB107.0 million for the year ended 31 March 2016 to RMB97.3 million for the year ended 31 March 2017 was mainly contributed by (i) the decrease in staff costs of RMB3.8 million from the property development operation that implemented a performance-based salary structure with effect from January 2016; and (ii) repairs and maintenance expenses of RMB3.0 million were incurred for the investment properties in Hong Kong for the year ended 31 March 2016.

Other expenses

Other expenses for the years ended 31 March 2017 and 2016 mainly represented legal and professional fees incurred for the Ka Yun Acquisition.

Finance costs

The decrease in finance costs by RMB54.1 million from RMB88.3 million for the year ended 31 March 2016 to RMB34.2 million for the year ended 31 March 2017 was mainly attributable to (i) increasing interest expenses that qualified for capitalization and (ii) the decrease in average bank loan balance arising from loan repayment.

Change in fair value of derivative financial instruments

Derivative financial instruments are the Company's early redemption rights attaching to the convertible bonds issued in respect of the Ka Yun Acquisition and other fund raising activity (the "Convertible Bonds"). The fair value of the derivative financial instruments were valued by an independent valuer. The change in fair value of the derivative financial instruments was mainly attributable to the change in the Company's share price at the reporting date when compared with the price at issue dates or the end of last reporting period, whichever is later.

Income tax

The Group's current income tax includes PRC Corporate Income Tax ("CIT") and PRC Land Appreciation Tax ("LAT"). For the year ended 31 March 2017, the Group's income tax amounted to RMB74.7 million, representing an increase in RMB36.1 million or 93.5% when compared to the year ended 31 March 2016. Such increase was mainly attributable to the CIT and LAT provision made in respect of the delivery of units of Guangze • Tudors Palace (廣澤 • 瀾香) and Guangze Red House (廣澤紅府) – Phase I upon completion.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position

Investment properties

At 31 March 2017, the Group's investment properties included the office premises in Kowloon Bay, Hong Kong and certain units of a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent firm of surveyors). There were no changes in the fair value of these investment properties when compared to that as at 31 March 2016.

Available-for-sale investments

On 30 December 2016, the Group subscribed for shares in Jilin Jiutai Rural Commercial Bank Corporation Limited ("Jilin Jiutai Bank"). Jilin Jiutai Bank is a joint-stock commercial bank headquartered in Changchun City, Jilin Province, the PRC; and the H-shares of which are listed in the Main Board of The Stock Exchange of Hong Kong Limited. As at 31 March 2017, the fair value of the subscribed shares is RMB201.1 million. A positive change in fair value of the investment of RMB24.0 million was recognised in the consolidated statement of comprehensive income.

Properties under development and completed properties held for sales

The Group's properties under development and completed properties held for sales are located in Jilin Province. The decrease in properties under development and completed properties held for sales from RMB3,131.9 million as at 31 March 2016 to RMB3,118.5 million as at 31 March 2017 was mainly attributable to the transfer of development costs to costs of sales in respect of Guangze • Tudors Palace (廣澤 • 瀾香) and Guangze Red House (廣澤紅府) – Phase I upon completion and delivery during the year ended 31 March 2017; and partially offset by the development work on Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村) and Guangze Red House (廣澤紅府) – Phase II.

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Trade and other receivables

	At 31 March 2017 RMB'000	At 31 March 2016 RMB'000
Trade receivables from third parties	51,083	52,383
Other receivables		
– Land development expenditure	372,375	314,757
– Amounts due from related companies	–	127,091
– Deposits for properties development	26,613	7,726
– Deposits for pre-sale of properties	27,766	7,315
– Prepaid business tax and other taxes	34,524	66,781
– Other receivables, prepayments and deposits	156,580	142,597
	617,858	666,267
	668,941	718,650

Land development expenditure made by certain subsidiaries of the Group represents monies advanced to the local government for land development works at various land sites. The Directors anticipate that these land sites will be acquired through the tender, auction and listing process which will take place in 2017.

At 31 March 2016, amounts due from related companies were related to the property development segment. Upon the completion of the Acquisition, the balances had been settled.

Included in other receivables, prepayments and deposits at 31 March 2017 was a prepayment of the consideration for the acquisition of 吉林省中業商務信息諮詢有限公司 (Jilin Zhongye Business Information Advisory Company Limited*) and 吉林灃潤商務信息諮詢有限公司 (Jilin Fengrun Business Information Advisory Company Limited*) of RMB45 million.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and financial resources

Cash position

As at 31 March 2017, the carrying amount of cash and cash equivalents of the Group was approximately RMB417.8 million (2016: approximately RMB85.0 million), representing an increase of approximately 391.5% as compared with that as at 31 March 2016. The increase was mainly attributable to certain proceeds from share subscription not yet utilised and a loan from controlling shareholder.

Debt and gearing

The Group's bank and other borrowings as at 31 March 2017 decreased by RMB21.1 million to RMB967.8 million which was payable as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Analysed into:		
Bank loans repayable and trust receipt loan payable:		
Within one year or on demand	383,542	522,586
In the second year	268,342	46,694
In the third to fifth years, inclusive	202,628	95,099
	854,512	664,379
Other borrowings repayable:		
Within one year	113,235	154,470
In the second year	–	120,000
In the third to fifth years, inclusive	–	50,000
	113,235	324,470
	967,747	988,849

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Debt and gearing (continued)

The gearing ratio of the Group is calculated as follows:

	At 31 March 2017 RMB'000	At 31 March 2016 RMB'000 (restated)
Loans from controlling shareholder	264,824	1,668
Bank and other borrowings	967,747	988,849
Trade and other payables	1,232,820	1,491,398
Less: Cash and cash equivalents	(417,766)	(84,998)
Pledged and restricted deposits	(46,598)	(30,300)
Net debt	2,001,027	2,366,617
Liability component of Convertible Bonds	206,104	–
Equity	1,716,797	1,040,929
Adjusted Capital	1,922,901	1,040,929
Capital and net debt	3,923,928	3,407,546
Gearing ratio	51%	69%

The decrease in the gearing ratio of the Group from 69% at 31 March 2016 to 51% at 31 March 2017 was mainly attributable to the increase in equity during the year via share subscriptions and convertible bonds subscriptions.

Cash flows for the Group's operating and investing activities

For the year ended 31 March 2017, the Group recorded net cash operating inflows of RMB122 million (2016: RMB368 million). The inflow was mainly attributable to an increase in the proceeds from pre-sale of properties after deducting the payments made for continual development of the property projects. For investing activities, the Group recorded a cash outflow of RMB330 million (2016: inflow of RMB297 million). The outflow was mainly contributed by the purchase of available-for-sale investments.

Management Discussion and Analysis

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 31 March 2017, the Group had commitments in respect of properties under development of RMB806.0 million (2016: RMB900.6 million). The development expenditure will be funded by the Group's internal resources and/or project loans. The Group also had unutilised banking facilities of RMB217.0 million as at 31 March 2017 (2016: RMB209.0 million).

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks pertaining to the property development and management business

The Group's property projects are located in Jilin Province, the PRC and the related assets accounted for 88.5% of the Group's total assets as at 31 March 2017. The Group is therefore subject to the risks associated with the PRC property market both nationally and regionally. The Group's property development and management business in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial conditions or results of operations.

The Group is looking for projects at other regions in the PRC and overseas in order to diversify the risk.

Risks pertaining to the property investment business

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

The Group has other exit options to realise the property value if and when considered necessary.

Financial risks

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

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Currency risk

As at 31 March 2017, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK$). At 31 March 2017, approximately 41.5% of the Group's total cash and bank balance (including pledged bank deposit) were denominated in HK$ and approximately 28.9% of the Group's total borrowings were denominated in HK$, while 71.1% were denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

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

Interest rate risk

As at 31 March 2017, 2.6% of the Group's total bank and other borrowings were interest free, 50.9% bore interest at fixed rates ranging from 1.55% to 6.65% per annum, and 46.5% of the Group's total borrowings bore interest at floating rates ranging from 3.22% to 8.265%. The Group does not enter into any financial instruments to hedge its interest rate risk exposure.

Credit risk

The Group currently grants an average credit period of 30-60 days to its customers, with certain few customers being offered a period of 90 days. The Group's debtor turnover days of 70 days (2016: 58 days) remains within the Group's credit terms. The increase in turnover days was contributed by the increase in service income from a customer who has a longer credit period for the year ended 31 March 2017. A stringent monitoring procedures has put in place to deal with overdue debts and minimize the credit risk of trade receivables.

Liquidity risk

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

Management Discussion and Analysis

KA YUN ACQUISITION

On 26 May 2015, Frontier Power Investments Limited (a wholly-owned subsidiary of the Company) (the Purchaser) and Ka Yik (the Vendor) and Ms. Cui (the controlling shareholder, executive director and deputy chairperson of the Company) entered into a sale and purchase agreement (as supplemented by the supplemental agreements dated 3 July 2015 and 22 December 2015 and an extension letter dated 31 March 2016), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the entire issued capital of Ka Yun for the consideration of HK$4,650,000,000 which shall be satisfied partly (i) by allotment and issue of new shares by the Company; (ii) by allotment and issue of convertible preference shares by the Company; and (iii) by issue of convertible bonds by the Company. Ka Yun Group is principally engaged in the development, sale and leasing of residential, commercial and tourism properties and property management in the PRC. The Ka Yun Acquisition constitutes a connected transaction, a very substantial acquisition and a reverse takeover under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Ka Yun Acquisition was approved by the shareholders of the Company on 25 July 2016 and was completed on 27 July 2016.

Details of the Ka Yun Acquisition were set out in the Company's announcements dated 19 March 2015, 26 May 2015, 3 July 2015, 16 October 2015, 22 December 2015, 31 December 2015, 31 March 2016 and 27 July 2016 respectively and the circular dated 30 June 2016.

SIGNIFICANT INVESTMENTS HELD

Other than disclosed elsewhere in this report, the Group did not have any significant investments held as at 31 March 2017.

CONTINGENT LIABILITIES

Other than disclosed elsewhere in this report, the Group has the following contingent liabilities:

The Group has arranged bank financing for certain purchasers of property units developed by subsidiaries of the Group that provided guarantees to secure obligation of such purchasers for repayments. As at 31 March 2017, guarantees amounting to RMB971.0 million were given to banks with respect to loans procured by purchasers of property units (31 March 2016: RMB676.1 million). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers or (ii) the satisfaction of mortgage loan by the purchasers of properties.

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

CHARGE ON ASSETS

As at 31 March 2017, the Group had the following assets pledged against bank loans granted:

	At 31 March 2017 RMB'000	At 31 March 2016 RMB'000
Investment properties	301,138	283,628
Properties under development and completed properties held for sale	967,873	1,421,699
Pledged deposits	18,859	18,800
Available-for-sale investments	201,131	–

Management Discussion and Analysis

USE OF NET PROCEEDS FROM THE FUND RAISING ACTIVITIES

At 31 March 2017, the use of net proceeds from the fund raising activities through the Company's issue of new Ordinary Shares and convertible bonds under general/specific mandates are set out below:

Date	Activity	Net proceeds	Actual use of the net proceeds up to 31 March 2017
13 September 2016	Allotment of 170,000,000 new Ordinary Shares under general mandate	approximately HK$171.44 million (equivalent to RMB147.58 million)	As to HK$100.00 million for the Group's administrative and operation expenses, such as salaries and professional fees; as to approximately HK$56.00 million for the Group's finance costs, such as interest on bank loans and other loan; and as to approximately HK$15.44 million for other administrative expenses (other than those administrative expenses mentioned above).
3 November 2016	Allotment of 130,000,000 new Ordinary Shares under specific mandate	approximately HK$129.63 million (equivalent to RMB114.37 million)	As to approximately HK$35.67 million for the payment of development costs with respect to the construction in Fusong.
2 December 2016	Issuance of convertible bonds in the principal amount of HK$40 million	approximately HK$40.0 million (equivalent to RMB35.52 million)	Not yet used

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had 1,248 (31 March 2016: 1,293) full-time staff. The number of full-time staff as at 31 March 2016 has been restated from 1,009 to 1,293 because of the acquisition of Ka Yun Group. Total staff costs (including directors' emoluments) incurred for the year ended 31 March 2017 amounted to approximately RMB127.3 million (31 March 2016: RMB132.1 million). The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including share options, discretionary bonus, training allowance and provident fund.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Chai Xiu ("Ms. Chai"), aged 52, was appointed as an executive Director and the chairperson of the Board in November 2013. She was also the chief executive officer of the Company from November 2013 to November 2015. Ms. Chai is also a member of the Company's Remuneration Committee and Nomination Committee. She is also a director in various subsidiaries of the Company.

Ms. Chai is a businesswoman with over 24 years of working experience primarily in the property and dairy product industries in the People's Republic of China ("the PRC"). Ms. Chai was appointed as a non-independent director, chairperson of the board, legal representative and general manager of Shanghai Ground Food Tech Co., Ltd. (formerly known as "Shandong Hualian Mining Holding Co., Ltd."), a company listed on the Shanghai Stock Exchange (Stock code: 600882), in October 2015. Since 2010, she has been the chief executive officer of 廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Limited*, a related company established in the PRC) ("Ground Investment Holding"), where she is primarily in charge of the overall operation of its property development and management business in Jilin Province. Ms. Chai is also the chairman of the board of directors of 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*, which has become a subsidiary of the Company in July 2016) ("Ground Real Estate"). From 2005 to 2010, she served as the chief executive officer of 吉林省廣澤集團有限公司 (Jilin Guangze Group Company Limited*) where she was responsible for the overall operation and management of the group, including dairy and estate development and management business. From 2001 to 2005, she served as the general manager of 廣澤乳業有限公司 (Ground Dairy Industry Co., Ltd*) ("Ground Dairy"), where she was responsible for the overall operation and management of the company, including administration, product development, sales and after sales service. Ms. Chai obtained an EMBA Degree from Cheung Kong Graduate School of Business in October 2009. She is the mother of Ms. Cui Xintong, the controlling shareholder of the Company and deputy chairperson of the Board and the sister-in-law of Ms. Ji Ping, a senior management of the Company. Ms. Chai is also a director of Charm Success Group Limited, which holds shares of the Company.

Ms. Cui Xintong ("Ms. Cui"), aged 27, joined the Company in March 2015 as the business development director of the Company until she became an Executive Director and the deputy chairperson of the Board in September 2016. She is also the controlling shareholder of the Company and a director in various subsidiaries of the Company.

Ms. Cui is responsible for exploring new business opportunities, formulating business plans and executing systematic prospecting, maintaining relationships with existing and potential business partners, developing, coaching and managing a team to deliver professional service and ensure business sustainability. Ms. Cui was an assistant president of Ground Investment Holding from September 2013 to February 2015. She is currently a director of Yan Oi Tong. Ms. Cui obtained her Bachelor Degree of Science in Business Administration from Northeastern University, Boston, USA in August 2013. Ms. Cui is the daughter of Ms. Chai and the niece of Ms. Ji Ping, a senior management of the Group. She is also the director of Ka Yik Investments Limited and Charm Success Group Limited, the companies having interest in the shares and/or underlying shares of the Company.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (continued)

Mr. Wang Guanghui ("Mr. Wang"), aged 48, was appointed as an executive Director of the Company in February 2015 and was further appointed as chief executive officer of the Company in September 2016. He is also a director in various subsidiaries of the Company.

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

Mr. Huang Bingxing ("Mr. Huang"), aged 48, was appointed as an executive Director of the Company in February 2015 and is also a director in various subsidiaries of the Company.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Chan has over 30 years of extensive experience in corporate finance, financial advisory and management, professional accounting and auditing. He is currently a director of Ascenda Cachet CPA Limited. Mr. Chan has been an independent non-executive director of FDG Electric Vehicles Limited (Stock Code: 729) since November 2006, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chan had also been an independent non-executive director of 新華文軒出版傳媒股份有限公司 (Xinhua Winshare Publishing and Media Co., Ltd.*, H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 811) and A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601811)) from April 2007 to July 2013 and was appointed as an independent non-executive director of such company again in February 2016. He had also been an independent non-executive director of each of Kam Hing International Holdings Ltd (Stock Code: 2307) from March 2004 to December 2016, Ausnutria Dairy Corporation Limited (Stock Code: 1717) from September 2009 to January 2015, Global Sweeteners Holdings Limited (Stock Code: 3889) from June 2008 to December 2015, and a non-executive director of Golden Shield Holdings (Industrial) Limited (in compulsory liquidation) (Stock Code: 2123) from June 2014 to December 2014. Mr. Chan obtained a Bachelor's degree in Commerce from the University of Newcastle, Australia in May 1985 and a Master's degree in Business Administration from the Chinese University of Hong Kong in December 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Mr. Mei Jianping ("Mr. Mei"), aged 57, was appointed as an independent non-executive Director of the Company, a member and chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee of the Company in November 2013.

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

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Xiang Qiang ("Mr. Xiang"), aged 52, has been appointed as an independent non-executive Director of the Company and a member of the Audit Committee and Remuneration Committee of the Company in August 2016.

Mr. Xiang has over 20 years' extensive senior managerial experience. He has been an independent non-executive director of Jutal Offshore Oil Services Limited (Stock Code: 3303) since May 2008, a company listed on the Main Board of the Stock Exchange. He had also been appointed as an executive director and president of PCD Stores (Group) Limited (Stock Code: 331) (delisted on 5 December 2013) from March 2012 to December 2013. Besides, Mr. Xiang has served in various senior managerial positions such as director, president and chairman at various companies in the PRC specialized in various industries, such as real estate, hospitality, securities, production and retail sales, etc.. Mr. Xiang obtained a Bachelor Degree in Engineering from Tsinghua University in July 1986 and a MBA Degree from Xiamen University in June 2001.

SENIOR MANAGEMENT

Mr. Ng Man Kit Micky ("Mr. Ng"), aged 41, joined the Company as the finance and investor relations director in January 2015, where he is responsible for the Group's financial management and general management of operation in Hong Kong until he was appointed as chief financial officer and company secretary of the Company in March 2016. Mr. Ng is a full-time employee of the Company and is responsible for advising the Board on financial management, general management of operation and corporate governance matters. He reports to the chairperson of the Board directly and assists the Board in ensuring effective information flow among the Board members and that the Board policy and procedures are followed. Mr. Ng has extensive auditing and accounting experience having been with an international professional accounting firm for 15 years and is a member of Hong Kong Institute of Certified Public Accountants. Mr. Ng obtained his joint degree of Bachelor of Science in Mathematics and Management Science from the University of Hull, United Kingdom in July 1998 and a Postgraduate diploma in Business Administration from the University of Birmingham, United Kingdom in June 1999.

Mr. Chen Zhihao ("Mr. Chen"), aged 43, joined the Group in April 2000 and is currently the general vice president of the telecommunications retail sales and management services business of the Group. He is a supervisor of 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*). Mr. Chen has over 15 years of working experience in the telecommunication services industry in the PRC. He is responsible for the operation and integration of the front office of the telecommunications retail sales and management service business, especially in charge of the mobility department, telephone business department, terminal business department and marketing department of 上海潤迅概念通信產品連鎖銷售有限公司 (Shanghai CM Concept Communications Products Franchise Sale Company Limited*). Mr. Chen graduated from 上海機械高等專科學校 (Shanghai Mechanics School*) (now known as University of Shanghai for Science and Technology, the PRC) with major in Foreign Accounting in July 1995.

SENIOR MANAGEMENT (continued)

Mr. Gu Shengye, ("Mr. Gu"), aged 40, joined the Group in February 2015 and was appointed as assistant president of Ground Real Estate in March 2016. He is responsible for the marketing, design, engineering and operation management of the Group. Prior to joining the Group, Mr. Gu was a vice general manager of 大連萬達集團股份有限公司哈爾濱分公司 (Dalian Wanda Group Company Limited Harbin Branch*) from August 2013 to February 2015; a marketing director of northeast division Changchun company of 綠地地產集團有限公司 (Greenland Property Group Limited*) from January 2011 to August 2013; a marketing director of 遠洋地產有限公司（長春）(Sino-Ocean Land Limited (Changchun)*)from August 2008 to January 2011; and a general manager of 深圳天方房地產經銷代理有限公司 (Shenzhen Tianfang Property Distribution and Agency Limited*) from July 1999 to August 2008. Mr. Gu completed Economic Management Professional Course in University of Science and Technology LiaoNing in 1999 and studied MBA program at Jilin University in 2011.

Ms. Ji Ping ("Ms. Ji"), aged 41, joined the Group in February 2011 and was appointed as assistant president of Ground Real Estate in May 2015. She is responsible for tendering, purchasing, human resources and administrative management of the Group. Prior to joining the Group, Ms. Ji was the purchasing director in Ground Dairy responsible for the purchasing management from September 2001 to February 2011. Ms. Ji completed her study in financial accounting from Jilin Radio and TV University (吉林廣播電視大學), the PRC in July 1998. Ms. Ji is the sister-in-law of Ms. Chai (the chairperson of the Board) and an aunt of Ms. Cui (the controlling shareholder of the Company and deputy chairperson of the Board).

Directors' Report

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in property development and management including planning, design, budgeting, licensing, contract tendering and contract administration, property investment, and provision of telecommunications retail sales and management services. The principal activities and other particulars of the Company's subsidiaries are set out in note 1 to the consolidated financial statements.

Details of the analysis of the performance of the Group for the year by operating segments are set out in note 4 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group, including description of the principal risks and uncertainties facing the Group, important events since the end of the financial year, future development and analysis of the Group's key financial performance indicators are set out in "Management Discussion and Analysis" on pages 8 to 31 to this annual report; while the Group's environmental policies and performance can be found in "Environmental, Social and Governance Report" on pages 62 to 72 to this annual report. During the year, the Company has complied with all the relevant laws and regulations that have a significant impact on the Company.

In addition to the above mentioned, the Directors would like to account the Group's relationships with its stakeholders. The Group's success depends on, among other things, the support from key stakeholders which comprise employees, customers and suppliers.

Employees

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

Customers

The Group maintains a good relationship with its customers. It is the Group's mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service.

BUSINESS REVIEW (continued)

Suppliers

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit and loss and consolidated statement of comprehensive income on page 78 and page 79 to this annual report respectively.

The Board does not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

RESERVES

Movement in the reserves of the Group and the Company during the year is set out in the consolidated statement of changes in equity on pages 82 and 83 to this annual report and note 40 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2017 calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately RMB169,622,000 (2016: RMB236,439,000) subject to restrictions as set out in note 32 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 212 to this annual report.

BORROWINGS

Details of the Group's borrowings as at 31 March 2017 are set out in note 27 to the consolidated financial statements.

Directors' Report

TAX RELIEF

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

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2017.

DIRECTORS

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

Executive Directors
Ms. CHAI Xiu *(Chairperson)*
Ms. CUI Xintong *(Deputy Chairperson) (appointed on 14 September 2016)*
Mr. WANG Guanghui *(Chief Executive Officer) (appointed as Chief Executive Officer on 14 September 2016)*
Mr. HUANG Bingxing

Independent Non-executive Directors
Mr. CHAN Yuk Tong
Mr. MEI Jianping
Mr. XIANG Qiang *(appointed on 25 August 2016)*
Mr. WEI Lidong *(resigned on 25 August 2016)*

Mr. Wang Guanghui, Mr. Huang Bingxing and Mr. Mei Jianping shall retire from office as Directors by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election in accordance with the bye-law 86(1) of the Bye-laws.

Biographical details of Directors and Senior Management are set out on pages 32 to 37 to this annual report, and details of the Directors to retire and subject to re-election at the forthcoming annual general meeting of the Company are also contained in the circular to be despatched together with this annual report.

DIRECTORS (continued)

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

DIRECTORS' SERVICE CONTRACTS

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

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed under the section headed "Ka Yun Acquisition" under the "Management Discussion and Analysis", Ka Yun Investments Limited and its subsidiaries (collectively "Ka Yun Group") become members of the Group on 27 July 2016, the date on which the acquisition of Ka Yun Group (the "Ka Yun Acquisition") was completed ("Completion of Ka Yun Acquisition").

Ms. Chai Xiu ("Ms. Chai"), an Executive Director and the Chairperson of the Board, has been a director of 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*) ("Ground Real Estate") before the Completion of Ka Yun Acquisition. Ground Real Estate is a member of Ka Yun Group and being the holding company of various members of Ka Yun Group which are principally engaged in property development and investments in the PRC. Therefore, before the Completion of Ka Yun Acquisition, Ms. Chai was considered to have interest in the business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group (the "Businesses") pursuant to the Listing Rules.

Mr. Wang Guanghui ("Mr. Wang"), an Executive Director and the chief executive officer of the Company, has been a director and president of Ground Real Estate before the Completion of Ka Yun Acquisition. Therefore, before the Completion of Ka Yun Acquisition, Mr. Wang was considered to have interest in the business which competed or was likely to compete, either directly or indirectly, with the Businesses pursuant to the Listing Rules.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

Upon the Completion of Ka Yun Acquisition, Ms. Chai and Mr. Wang or their respective associates were no longer considered as interested in any business which competes or is likely to compete, whether directly or indirectly, with the Businesses.

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

PERMITTED INDEMNITY PROVISION

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

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

As at 31 March 2017, the Directors and chief executives of the Company had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules:

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

Name of Directors/ Chief Executives	Nature of interest	Position	No. of Shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ms. Cui Xintong ("Ms. Cui")	Interest in controlled corporation	Long	2,401,020,694 *(Note 2)*	73.82%
Mr. Huang Bingxing ("Mr. Huang")	Beneficial Owner	Long	169,000	0.005%

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

(b) Interest in the underlying shares of the Company

Name of Directors/ Chief Executives	Nature of interest	Position	No. of underlying shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ms. Chai	Beneficial Owner	Long	850,000 *(Note 3)*	0.03%
Ms. Cui	Interest in controlled corporation	Long	3,538,168,235 *(Note 4)*	108.78%
Mr. Wang	Beneficial Owner	Long	11,000,000 *(Note 3)*	0.34%
Mr. Huang	Beneficial Owner	Long	8,000,000 *(Note 3)*	0.25%
Mr. Chan Yuk Tong	Beneficial Owner	Long	850,000 *(Note 3)*	0.03%
Mr. Mei Jianping	Beneficial Owner	Long	850,000 *(Note 3)*	0.03%

Notes:

1. The percentage is calculated on the basis of 3,252,650,000 issued voting Shares as at 31 March 2017.

2. These 2,401,020,694 Shares consist of (i) 558,020,694 Shares held by Charm Success Group Limited ("Charm Success") and (ii) 1,843,000,000 Shares held by Ka Yik Investments Limited ("Ka Yik"). Charm Success and Ka Yik are companies wholly and beneficially owned by Ms. Cui. Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik by virtue of being their controlling shareholder under the SFO, and such interest duplicated the interest of Charm Success, Ka Yik and Mr. Lee Ken-yi Terence (Ms. Cui's spouse) for the purpose of SFO.

3. Those underlying shares are the share options granted by the Company under the share option scheme of the Company, information of which was shown in the section headed "Share Option Scheme" of this report. All of such underlying shares are unlisted and physically settled under SFO.

4. Those underlying shares of the Company are held by Ka Yik, information of which was shown in the section headed "Substantial Shareholders' Interest in Securities" of this report. Ms. Cui is deemed to be interested in those underlying shares of the Company held by Ka Yik by virtue of being its controlling shareholder under the SFO, and such interest duplicated the interest of Ka Yik and Mr. Lee Ken-yi Terence (Ms. Cui's spouse) for the purpose of SFO. All of such underlying shares are unlisted and physically settled under SFO.

Directors' Report

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

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 March 2017, the interests or short positions of the parties other than the Directors and chief executives of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(a) Interest in Shares

Name of shareholder	Nature of interest	Position	No. of Shares held	Approximate percentage of issued voting Shares *(Note 1)*
Charm Success	Beneficial Owner	Long	558,020,694 *(Note 2)*	17.16%
Ka Yik	Beneficial Owner	Long	1,843,000,000 *(Note 3)*	56.66%
Integrated Asset Management (Asia) Limited	Beneficial Owner	Long	250,000,000 *(Note 4)*	7.69%
Yam Tak Cheung	Interest in controlled corporation	Long	250,000,000 *(Note 4)*	7.69%
Lee Ken-yi Terence	Interest of Spouse	Long	2,401,020,694 *(Note 5)*	73.82%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

(b) Interest in underlying shares of the Company

Name of shareholder	Nature of interest	Position	No. of underlying shares held	Approximate percentage of issued voting Shares *(Note 1)*
Ka Yik	Beneficial Owner	Long	3,538,168,235 *(Note 3)*	108.78%
Lee Ken-yi Terence	Interest of Spouse	Long	3,538,168,235 *(Note 5)*	108.78%

Notes:

1. The percentage is calculated on the basis of 3,252,650,000 issued voting Shares as at 31 March 2017.

2. Charm Success is a company wholly and beneficially owned by Ms. Cui. Ms. Cui is deemed to be interested in those Shares by virtue of being its controlling shareholder under the SFO and such interest duplicated Ms. Cui's partial interest for the purpose of SFO.

3. Ka Yik is a company wholly and beneficially owned by Ms. Cui. Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of being its controlling shareholder under the SFO and such interest duplicated Ms. Cui's partial interest for the purpose of SFO. Those 3,538,168,235 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$287,500,000 (convertible into 338,235,294 Shares in total); (ii) 3,039,352,941 convertible preference shares issued by the Company on 27 July 2016; and (iii) a potential contractual right to have 160,580,000 Shares within 12 months starting from 27 March 2017. All of such underlying shares are unlisted and physically settled under SFO.

4. Integrated Asset Management (Asia) Limited is a company wholly and beneficially owned by Mr. Yam Tak Cheung. Mr. Yam is deemed to be interested in those Shares by virtue of being its controlling shareholder under SFO. The interests duplicate each other.

5. Mr. Lee Ken-yi Terence is the spouse of Ms. Cui, an Executive Director and deputy Chairperson of the Board. Mr. Lee is deemed to be interested in those securities by virtue of being Ms. Cui's spouse under the SFO and such interest duplicated to Ms. Cui's interest for the purpose of SFO. All of the relevant underlying shares are unlisted and physically settled under SFO.

Save as disclosed above, as at 31 March 2017, none of the parties other than Directors and chief executives of the Company had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Report

SHARE OPTION SCHEME

Details of the share option scheme of the Company and the movements in the share options are set out in note 31 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Details of the material related party transactions entered into by the Group during the year in the ordinary course of the Group's business are set out in note 36 to the consolidated financial statements.

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

On 26 May 2015, Frontier Power Investments Limited ("Frontier Power", a wholly-owned subsidiary of the Company) as the purchaser and Ka Yik as the vendor and Ms. Cui, the then ultimate controlling shareholder of the Company (now she is also an executive Director and the deputy chairperson of the Board) and the daughter of Ms. Chai Xiu (an Executive Director of the Company and the chairperson of the Board), entered into a sale and purchase agreement (the "Ka Yun S&P Agreement", as supplemented by the supplemental agreements dated 3 July 2015 and 22 December 2015 respectively and an extension letter dated 31 March 2016), pursuant to which Frontier Power has agreed to acquire and Ka Yik has agreed to sell the entire issued capital of Ka Yun for the consideration of HK$4,650,000,000 which had been satisfied partly (i) by allotment and issue of new ordinary shares by the Company; (ii) by allotment and issue of convertible preference shares by the Company; and (iii) by issue of convertible bonds by the Company. The Ka Yun Group is principally engaged in the development, sale and leasing of residential, commercial and tourism properties and property management in the PRC. The Ka Yun Acquisition constituted a connected transaction, a very substantial acquisition and a reverse takeover under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

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

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

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

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

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

The Ka Yun Acquisition was approved by the shareholders of the Company at the special general meeting of the Company held on 25 July 2016 and was completed on 27 July 2016.

Details of the Ka Yun Acquisition were set out in the Company's announcements dated 19 March 2015, 26 May 2015, 3 July 2015, 16 October 2015, 22 December 2015, 31 December 2015, 31 March 2016 and 27 July 2016 respectively and circular dated 30 June 2016.

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

On 8 December 2012, 撫松廣澤房地產開發有限公司 (Fusong Ground Real Estate Development Company Limited*) ("Fusong Ground", of which the Company was then interested in 35% equity interest) and Ace Plus Global Limited ("Ace Plus"), an indirect wholly-owned subsidiary of the Company since 2013, entered into a management contract (the "Management Contract"), pursuant to which Ace Plus would provide management services to Fusong Ground in relation to a property development project (the "Transaction"). The Management Contract does not have any fixed term and is expected to continue until the property development project is completed. Fusong Ground shall pay Ace Plus service fees of (i) 4% of the total costs and expenses incurred by Fusong Ground in the development of the property excluding all expenses relating to the acquisition of the property, tax expenses and finance costs less (ii) the payroll costs.

Directors' Report

CONNECTED TRANSACTIONS (continued)

The Management Contract and the annual cap for each of the six financial years ending 31 March 2019 were approved by the independent shareholders of the Company at the special general meeting held on 18 October 2013.

Upon completion of the Ka Yun Acquisition on 27 July 2016, Fusong Ground had become a wholly-owned subsidiary of the Company. Accordingly, the Management Contract became an intra-group transaction and the Management Contract had ceased to be considered as a connected transaction of the Group. During the period from 1 April 2016 to 26 July 2016, no management fee was generated to the Group under the Management Contract.

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

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

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued its unqualified letter containing the findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "Connected Transactions", "Share Option Scheme" and "Issue of Shares, Convertible Preference Shares and Convertible Bonds" in this report, the Company did not enter into any equity-linked agreements during the financial year.

ISSUE OF SHARES, CONVERTIBLE PREFERENCE SHARES AND CONVERTIBLE BONDS

Details of the shares, convertible preference shares and convertible bonds issued by the Company during the year ended 31 March 2017 were set out in notes 29, 30 and 28 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, the five largest customer of the Group accounted for less than 30% of the Group's total revenue. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of the Company's total number of issued shares as required under the Listing Rules throughout the year ended 31 March 2017 and up to the date of this report.

AUDITOR

During the year, Ernst & Young, Certified Public Accountants ("EY") was appointed by the Directors as the auditor of the Company to fill the casual vacancy so arising following the resignation of Mazars CPA Limited. Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The consolidated financial statements for the year ended 31 March 2017 were audited by EY who would retire at the conclusion of the forthcoming annual general meeting and being eligible, offer itself for re-appointment. A resolution will be proposed in the forthcoming annual general meeting to re-appoint EY as the auditor of the Company.

On behalf of the Board
Chai Xiu
Chairperson

Hong Kong, 7 June 2017

* *For identification purposes only*

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

Composition

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

Executive Directors
Ms. CHAI Xiu *(Chairperson)*
Ms. CUI Xintong *(Deputy Chairperson)* *(appointed on 14 September 2016)*
Mr. WANG Guanghui *(Chief Executive Officer)* *(appointed as Chief Executive Officer on 14 September 2016)*
Mr. HUANG Bingxing

Independent Non-executive Directors
Mr. CHAN Yuk Tong
Mr. MEI Jianping
Mr. XIANG Qiang *(appointed on 25 August 2016)*
Mr. WEI Lidong *(resigned on 25 August 2016)*

THE BOARD (continued)

Composition (continued)

During the reporting year, the Board maintained a balanced composition of Executive Directors and Non-executive Directors which generated a strong independent element to the Board. All Directors are subject to retirement by rotation and re-election at the general meeting of the Company (in case of filling a casual vacancy) or at the annual general meeting of the Company (in case of an addition to the Board) following their appointment and at least once every three years in accordance with the Company's bye-laws (the "Bye-laws"). A list of the Directors identifying their role and function is published on the Stock Exchange's website and the Company's website. The biographical details of the current Directors are set out on pages 32 to 36 to this annual report.

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

To the best knowledge of the Directors, save as the directorship of Ms. Chai Xiu and Mr. Wang Guanghui in 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*), which has become a subsidiary of the Group since July 2016, and the relationship among Directors disclosed under "Biographical Details of Directors and Senior Management" on pages 32 to 37 to this annual report, there was no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Responsibilities of the Board and Management

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

Corporate Governance Report

THE BOARD (continued)

Continuous Professional Development

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

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

Directors	Attending seminars/courses provided by professional bodies	Reading Materials
Executive Directors		
Ms. CHAI Xiu	✓	✓
Ms. CUI Xintong[1]	✓	✓
Mr. WANG Guanghui	✓	✓
Mr. HUANG Bingxing	✓	✓
Independent Non-executive Directors		
Mr. CHAN Yuk Tong	✓	✓
Mr. MEI Jianping	✓	✓
Mr. XIANG Qiang [2]	✓	✓
Mr. WEI Lidong [3]	✓	✓

Notes:

1. *appointed on 14 September 2016*
2. *appointed on 25 August 2016*
3. *resigned on 25 August 2016*

THE BOARD (continued)

Board Meetings, General Meetings and Attendance of Directors

During the year ended 31 March 2017, the Company held ten Board meetings including four regular meetings held at approximately quarterly intervals, an annual general meeting ("AGM") and three special general meetings ("SGMs"). The attendance of each Director is as follows:

	Attended/Eligible to attend		
	Board Meeting	AGM	SGMs
Ms. CHAI Xiu	6/10	1/1	1/3
Ms. CUI Xintong[1]	4/5	–	0/1
Mr. WANG Guanghui	10/10	0/1	3/3
Mr. HUANG Bingxing[4]	8/10	0/1	2/3
Mr. CHAN Yuk Tong	10/10	1/1	2/3
Mr. MEI Jianping[4]	5/10	0/1	0/3
Mr. XIANG Qiang[2, 4]	5/6	–	0/2
Mr. WEI Lidong[3]	0/3	–	0/1

Notes:

1. *Appointed on 14 September 2016*
2. *Appointed on 25 August 2016*
3. *Resigned on 25 August 2016*
4. *Due to other business commitments, the Director appointed another Director as his alternate to attend a board meeting during the reporting year. The attendance of the alternate has not been counted in the Director's attendance records.*

Apart from the said Board meetings, routine/operational matters requiring Board approval were arranged by means of circulation of written resolutions with supporting materials, supplemented by additional verbal and/or written information from the company secretary of the Company as and when appropriate. The Chairperson of the Board attached the AGM and invited the chairpersons of the audit, remuneration, nomination committees to attend. In case of absence of committee chairperson, the Chairperson invited another member of the committee to attend for answer questions at the AGM.

Corporate Governance Report

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The positions of the Chairperson and the chief executive officer of the Company are held by separate individuals in order to enhance independence and a balanced judgment of views. The Chairperson, Ms. Chai Xiu, is responsible for overall corporate planning and strategic policy making and the effective functioning of the Board in accordance with good corporate governance practices. The Deputy Chairperson, Ms. Cui Xintong, is responsible for overall development of the Group's business, exploring new business opportunities, formulating business plans and executing systematic prospecting, maintaining relationships with existing and potential business partners, developing, coaching and managing a team to deliver professional service. The Chief Executive Officer, Mr. Wang Guanghui, also an executive Director, is responsible for managing of day-to-day operations of the Group and developing and implementing the Group's strategic plans and business goals.

Prior to the appointment of Mr. Wang Guanghui as the chief executive officer of the Company on 14 September 2016, the duties of chief executive officer were taken up by both Mr. Wang Guanghui and Mr. Huang Bingxing, the executive Directors and the president of the Company's respective business units.

INDEPENDENT NON-EXECUTIVE DIRECTORS

As at the date of this report, there are three Independent Non-executive Directors namely Mr. Chan Yuk Tong, Mr. Mei Jianping and Mr. Xiang Qiang. All of them have entered into letters of appointment with the Company for a specified period of one year (renewable), subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws.

BOARD COMMITTEES

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

Remuneration Committee

The Remuneration Committee comprises all the Independent Non-executive Directors namely Mr. Chan Yuk Tong (Chairperson of the Committee), Mr. Mei Jianping and Mr. Xiang Qiang, and an Executive Director namely Ms. Chai Xiu. The Committee's duties as set out in its terms of reference include, inter alia, to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, making recommendation to the Board on the remuneration packages for individual Directors and senior management, and administering and overseeing the Company's share option scheme(s). No Director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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

The Remuneration Committee held three meetings during the year ended 31 March 2017. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong *(Chairperson)*	3/3
Mr. MEI Jianping	1/3
Ms. CHAI Xiu	2/3
Mr. XIANG Qiang[1]	1/1
Mr. WEI Lidong[2]	0/1

Notes:

1. *Appointed on 25 August 2016*
2. *Resigned on 25 August 2016*

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

(a) reviewed the remuneration policy and structure of all Directors and senior management;
(b) reviewed the terms of reference in compliance with the prevailing CG Code;
(c) reviewed and recommended the Board on the remuneration packages of all Directors and senior management; and
(d) administer and oversee the share options granted under the share option scheme of the Company.

Corporate Governance Report

BOARD COMMITTEES (continued)

Nomination Committee

The Nomination Committee comprises two Independent Non-executive Directors namely Mr. Mei Jianping (the Chairperson of the Committee) and Mr. Chan Yuk Tong, and an Executive Director namely Ms. Chai Xiu. The Committee's duties as set out in its terms of reference include, inter alia, formulating, reviewing and implementing nomination policy for Directors, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, receiving nominations from shareholders or Directors, assessing the independence of the Independent Non-executive Directors and undertaking an annual performance evaluation of the Board. The terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website. The Board adopts a nomination policy for Directors to provide guidelines for effective functioning in the course of director's nomination process. The policy sets out, among others, the selection procedures and evaluation criteria for selecting and recommending the candidates for directorship. The Nomination Committee first assesses the needs of the Board in respect of its structure, size and composition, identifies potential candidates by considering, among others, their personal ethics, integrity, skills, professional knowledge and experience and time commitment and then develops a short list of potential appointees for recommendation to the Board.

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

The Nomination Committee held two meetings during the year ended 31 March 2017. The attendance of each member is set out as follows:

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

BOARD COMMITTEES (continued)

Nomination Committee (continued)

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

(a) nominated the incumbent Directors for re-election;
(b) reviewed the nomination policy for Directors;
(c) reviewed the Board Diversity Policy;
(d) reviewed the terms of reference in compliance with the prevailing CG Code;
(e) reviewed the structure, size and composition of the Board; and
(f) assessed the independence of the Independent Non-executive Directors.

Audit Committee

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

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

The Audit Committee held two meetings during the year ended 31 March 2017. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong *(Chairperson)*	2/2
Mr. MEI Jianping	1/2
Mr. XIANG Qiang[1]	1/1
Mr. WEI Lidong[2]	0/1

Notes:

1. *Appointed on 25 August 2016*
2. *Resigned on 25 August 2016*

Corporate Governance Report

BOARD COMMITTEES (continued)

Audit Committee (continued)

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

(a) reviewed the annual results for year ended 31 March 2016 and the interim results for six months ended 30 September 2016 and the reports from external auditor, management representation letters and management's response in relation thereto;
(b) reviewed the respective reports on the Group's continuing connected transactions and internal control;
(c) reviewed the accounting policies and practices as well as the financial reporting system and risk management and internal control system of the Group;
(d) reviewed the terms of reference in compliance with prevailing CG Code;
(e) reviewed the continuing connected transactions of the Group pursuant to Rule 14A.55 of the Listing Rules;
(f) reviewed and recommended the Board about the change of the external auditor; and
(g) reviewed the effectiveness of financial reporting system and internal control system of the Group.

CORPORATE GOVERNANCE FUNCTIONS

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

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

During the reporting year, the Board has reviewed and performed the said corporate governance functions.

AUDITOR'S REMUNERATION

For the year ended 31 March 2017, the auditor's remuneration amounted to RMB2,380,000 and RMB1,270,000 in respect of audit services and non-audit services respectively. RMB670,000 out of total non-audit services fees is related to the reporting accountant services and internal control services for the Ka Yun Acquisition as defined under the Directors' Report.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

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

The statement of the auditor of the Company about its reporting responsibilities is set out in the "Independent Auditor's Report" on pages 73 to 77 to this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

The Board and the Audit Committee conducted a review of the effectiveness of the system of risk management and internal control of the Group for the year ended 31 March 2017 by reviewing the reports prepared by the external internal control advisor of the Company. The review covered the material controls, including financial, operational and compliance controls and risk management functions and consideration of adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets during the year. Based on the results of the review, the system was satisfactory with no major irregularities reported and was considered to be effective and adequate for the year.

COMPANY SECRETARY

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

Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

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

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

(b) Procedures for sending enquiries to the Board

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

General Meetings

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (continued)

Other Communication Channels

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

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

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

CONSTITUTIONAL DOCUMENTS

During the year, certain amendments were made to the Bye-Laws as approved by the shareholders of the Company at the SGM held on 25 July 2016 by passing a special resolution and became effective on even date in order to: (i) amend certain rights of preference shareholders of the Company; and (ii) vest the power to the Company to issue further preference capital ranking equally with, or in priority to, preference shares already issued (subject to the terms of any preference shares of the Company in issue). Details of which were set out in the circular of the Company dated 30 June 2016.

The memorandum of association and the updated bye-laws of the Company are available on the website of the Stock Exchange and the website of the Company.

By order of the Board
CHAI Xiu
Chairperson

Hong Kong, 7 June 2017

Environmental, Social and Governance Report

The board of directors of the Company is pleased to present its environmental, social and governance ("ESG") report for the year. This is the first corporate social responsibility related report published by Ground International Development Limited ("Ground International", together with its subsidiaries, the "Group"). This report is prepared with the assistance of a third party consultant with the purpose to increase the transparency of the Group's management of sustainable development and to allow stakeholders to know more about its issues. In the event of discrepancies between the Chinese and the English texts, the Chinese version shall prevail.

REPORTING SCOPE

This report covers the performance of the Group's telecommunications business in the PRC, as well as property management and development in the PRC during 2016/17 financial year (i.e. from 1 April 2016 to 31 March 2017).

REPORTING PRINCIPLES

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report discloses contents under the principles of Materiality, Quantitative, Balance and Consistency. The corporate governance related issues of the Group are set out in the annual report of the Group pursuant to the Corporate Governance Code in Appendix 14 to the Stock Exchange's main board Listing Rules.

The content of the report is prepared by Allied Environmental Consultants Limited. The contents of the report are compiled based on the information collected and have been approved by the senior management of the Group.

GROUND INTERNATIONAL'S ENVIRONMENT AND SOCIAL RESPONSIBILITY APPROACH

Currently, Grand International is primarily engaged in three business segments, namely property development and management; property investment business; and telecommunications retail sales and management services.

The Group endeavours to maintain long-term sustainable development of the environment and community in the areas it operates and is committed to creating an environmentally friendly environment which minimises the impacts on the environment. The Group, its contractors and suppliers are subject to various environmental laws and regulations, covering waste disposal, air pollution monitoring, sewage discharge control and etc. During the year, the Group was in compliance with all relevant laws and regulations.

The Group also adheres to its social responsibilities to maintain operations that meet moral standards and in good faith. The Group will ensure its operations are in compliance with all applicable laws and regulations and in the interest of various stakeholders. Meanwhile, the Group will explicitly disseminate to the suppliers, business partners, contractors, employees, customers and other stakeholders its expectations on social responsibilities and request for their compliance. The Group will formulate relevant indicators (including integrity, self-discipline and safety management) for performance assessment of employees and relevant parties.

To more systematically enhance and disclose the ESG related policies and measures, the Group has identified the following key ESG topics under the Listing Rules:

ESG aspects	Material ESG issues
A. Environment	
A1. Emissions	• Indirect greenhouse gas emissions • Waste management
A2. Use of Resources	• Electricity consumption management • Water usage and treatment • Control over packaging materials for headphone products
A3. The Environment and Natural Resources	• Environmental protection of property development
B. Social	
B1. Employment	• Employment policies
B2. Health and Safety	• Occupational health and safety protection
B3. Development and Training	• Employee training
B4. Labour Standards	• Handling child and forced labour
B5. Supply Chain Management	• Supply chain regulation
B6. Product Responsibility	• Quality management of property development • Quality management of retail and management services • Confidentiality
B7. Anti-corruption	• Operate with integrity
B8. Community Investment	• Contributions to community

A. THE ENVIRONMENT

The concept of sustainability has been gaining social and market attention where enterprises endeavour to protect the environment and improve social conditions while striving for economic development. The Group is committed to formulating appropriate environmental policies to respond to the expectations and requirements of the society, market and various stakeholders on the Group's operations.

Currently, the property development projects of the Group are mainly located in mainland China and are undertaken by third party contractors. The environmental performance of the project sites can indirectly reflect the management standards of the Group and the code of conduct of an enterprise. Accordingly, various levels of management attach great importance to the environmental conditions at the construction sites. The management of the Group requires contractors to comply with all environmental related laws and regulations and set an overall environmental objective – no material environmental pollution incidents.

In addition to regulation on contractors, the Group has implemented the following environmental policies regarding its solely owned assets.

Environmental, Social and Governance Report

A1. EMISSIONS

A1.1 INDIRECT GREENHOUSE GAS EMISSIONS

Indirect greenhouse gas emissions refer to the greenhouse gas emissions arising from electricity purchased externally by the enterprise to support its operations. The Group's greenhouse gas emissions primarily come from electricity consumption in the offices, call centres and business halls. Reduction in electricity consumption can help avoid greenhouse gases caused by electricity generation. The Group mainly implements electricity consumption management policies to reduce greenhouse gas emissions. Details of which are set out in the section headed "Electricity Consumption Management" in this report. During the year, the Group was in compliance with the laws and regulations relating to air and greenhouse gas emissions.

A1.2 WASTE MANAGEMENT

Wastes from property investment, and telecommunications retail and management services mainly refer to offices wastes such as paper, plastics and paper boxes. The Group promotes paperless offices and recycling of wastes. Recycling facilities are placed in the office to encourage employees to build the habit of sorting and recycling at source. The Group's offices also have in place recycling boxes for single sided paper and other wastes to encourage better resources utilisation.

During the year, all waste materials of the Group were properly treated. With respect to waste materials that are non-recyclable, the Group has appointed waste treatment companies to regularly collect and properly treat the waste materials. The Group has also organised a team to regularly pass the waste oil of the restaurant tenants to professional companies for further processing.

A2. USE OF RESOURCES

A2.1 ELECTRICITY CONSUMPTION MANAGEMENT

The Group endeavours to improve energy efficiency. Accordingly, the Group continues to monitor the electricity consumption of property tenants to assist in energy reduction. At the same time, the Group encourages employees to switch off electronic equipment such as lighting, air-conditioning and computers when not in use. Employees have to maintain an air conditioning temperature of 25ºC or above in summer and regularly check the room temperature. Upon procurement of electronic equipment, the Group will prioritise its energy efficiency and endeavour to use energy saving lighting and electrical appliances. Regarding the call centres, the Group will regularly monitor the efficiency of its data processors and place the cooling system near servers to enhance the efficiency on electricity consumption for cooling. Looking ahead, the Group will continue to seek ways to further reduce energy consumption.

A2.2 WATER USAGE AND TREATMENT

With respect to water resources, the Group promotes water conservation. Water saving equipment is used to the greatest extent in business halls of telecommunications offices and properties to increase the efficiency of water usage. Some of the properties are installed with sensor faucets, water efficient faucets and dual flush toilets to control water consumption.

The wastewater of the Group is processed by the wastewater treatment companies approved by the government and is in compliance with the relevant laws and regulations as well as the discharge standards.

A2.3 CONTROL OVER THE PACKAGING MATERIALS FOR HEADPHONE PRODUCTS

The Group strives to minimise the use of resources in the course of business to avoid wastage. In particular, the Group is responsible for the secondary sorting and packaging for headphone products under the agency which involves the use of paper boxes and plastic bags. In the process, the Group will monitor the usage of packaging materials and endeavour to simplify packaging while properly maintain product protection.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

A3.1 ENVIRONMENTAL PROTECTION OF PROPERTY DEVELOPMENT

Property and site greening is one of the measures to balance property development and environmental protection, particularly for high eco-value regions such as Changbaishan. As the project site of 長白山廣澤果松小鎮國際度假村 (Changbaishan Ground Pine Township International Resort) is adjacent to rivers, ground breaking should prevent the surface layer from crumbling, resulting in soil erosion and subsidence. The Group has required contractors to take specific measures to stabilise the surface layer such as afforestation near the river banks. The Group will also maximise the use of green design and machineries in all construction projects. Meanwhile, the Group will endeavour to retain the eco-value of the region by building green belts at the project sites where applicable.

Environmental, Social and Governance Report

B. SOCIAL

B1. EMPLOYMENT

B1.1 EMPLOYMENT POLICIES

To build a stable and outstanding workforce, the Group places great emphasis on personnel management and formulates related policies to regulate employee compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfares. The policies also define the terms of reference of different departments which can effectively handle personnel matters internally and externally. In case of disputes, the relevant parties may refer to the Group's employment policies for settlement.

The Group also adheres to the principles of equal opportunity, diversity and anti-discrimination during recruitment. The personnel department shall base on criteria regardless of race, gender, age, social status and appearance in the course of recruitment. The Group selects suitable candidates in accordance with the principles of impartiality and equal opportunity. Qualified candidates must hold the Group's core values and required capabilities, and be suitable for the job positions.

During employment, employees enjoy all employment rights as required by law. New joiners must enter into the labour contract which explicitly states the labour rights and obligations. During the year, the Group was in compliance with the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination as well as other benefits and welfares.

B2. HEALTH AND SAFETY

B2.1 OCCUPATIONAL HEALTH AND SAFETY PROTECTION

The Group, as a responsible enterprise, attaches great importance to providing its diligent employees a healthy and safe working environment. In particular, with respect to the property development business, operations at the project sites are associated with heavy machineries and bulk materials. Accordingly, there is a higher risk of accidents. The Group has formulated the construction safety policies to monitor its contractors so as to reduce the probability of accidents in the course of construction by introducing preventive and control measures. The policies authorise the project management centre to take charge of the monitoring of safety operations at the sites. "Zero Safety Accident" is also taken as one of the standards for performance assessment of relevant employees to reflect the Group's emphasis on employees' health and safety.

Overall objectives of construction safety:

- No work fatality incidents
- No damage of major construction machinery and equipment incidents
- No collapse (such as earth, scaffold and equipment) incidents
- No major fire and food poisoning incidents
- No material and liable traffic accidents

Details of the construction safety policies are set out below:

- Review the safe construction qualifications and performance of contractors, collect and record relevant safety production certifications
- Monitor the safety measures tailored by construction units according to the characteristics of the construction projects
- Review the responses and monitor the handling of safety incidents of the project companies
- Organise inspection regarding construction safety, record the inspection results and rectification of incidents
- Regularly convene site safety management meetings to timely coordinate and handle the issues identified
- Regularly re-examine and improve the construction safety policies

In addition to monitoring construction safety, the Group also puts emphasis on the safety of indoor areas such as offices and business halls. The Group undertakes to keep the indoor pathways clear such as corridors and emergency exits to handle emergencies. The Group also irregularly carries out random checks on the heating systems in the offices to ensure safe electricity usage and prevent fire incidents. Third party cleaning service providers will regularly clean the indoor areas of the Group such as offices and business halls to avoid breeding of germs and bacteria. The Group will provide relevant materials and trainings such as fire drills to raise the safety awareness among employees. To provide a safe working environment and safeguard the health and safety of employees, the operations of the Group have been in compliance with all relevant laws and regulations during the year.

B3. DEVELOPMENT AND TRAINING

B3.1 EMPLOYEE TRAINING

Development and training are particularly important to enhancing employees' professional skills and attributes as well as promoting sustainable development of suitable workforce. The Group has established training policies which explicitly state the training details, implementation and supports, and serve as a reference for the human resources department and other department.

Environmental, Social and Governance Report

The human resources department formulates training programmes on annual basis to improve the training contents and model so as to better fit the growth needs of the Group. The human resources department prepares the annual training programme through analysing the training needs survey and post training appraisal. The programme offers a series of training opportunities to help employees gain new knowledge, enhance work skills and build a positive working attitude through planned and systematic training.

The Group's trainings include orientation training, position training and special training. Orientation training targets at providing new joiners basic knowledge such as corporate overview, culture, management system and work flow. Position training refers to training tailored by various departments according to their functions, position duties, internal operation system and work flow changes. Under the model, the senior personnel directly provide explanations and counselling to the employees, and then examine the deliverables of training. Special training refers to training conducted on a specific topic or for some special groups.

The Group has individual continuing education incentive programme in place to encourage the enhancement of their own knowledge and professional capabilities. Without prejudice to work, employees may also obtain state recognised certifications through self-study or joining public institutions. Upon obtaining relevant certifications, the Group will reward employees on their continuous learning.

B4. LABOUR STANDARDS

B4.1 HANDLING CHILD AND FORCED LABOUR

The Group's employment policies clearly state that child and forced labour are strictly prohibited. Prior to engagement, the human resources department shall collect the identity documents of the candidates to confirm their identity and ensure that they are aged above 18. The Group makes use of such policies to ensure that employees recruited meet the statutory requirements regarding age and identity.

The Group prohibits any actions of mandatory overtime work and will reasonably arrange work for employees of each position. Employees should complete their responsible tasks within the standard working hours. If overtime work is inevitably necessary, the Group will give employees overtime payment or time off according to its policy.

During the year, the Group was in compliance with the regulations relating to prevention of child or forced labour, nor any child or forced labour was employed.

B5. SUPPLY CHAIN MANAGEMENT

B5.1 SUPPLY CHAIN REGULATION

One way of fulfilling social responsibilities is to regulate the Group's supply chain to provide raw materials or services in a more environmentally friendly and socially responsible manner. Meanwhile, regulation of supply chain also prevents the Group from the risks associated with the environment and society due to supply chain.

The retail management services of the Group mainly involve the telecommunications service providers and audio product suppliers. In selecting suppliers and their products, the Group will consider their environmental and social performance. The Group ensures that the operations of the suppliers selected meet all laws and regulations relating to the environment, employment and do not recruit child or forced labour.

The Group coordinates with contractors in the construction of residential buildings, commercial buildings and resorts. The Group has provided tender documents that clearly state its production safety and environmental requirements to all bidders. All parties shall provide services in compliance with the environmental and social laws and regulations. As for contractors, the Group places special emphasis on their compliance with environmental and construction safety requirements in an effort to achieve zero non-compliance emission and zero work injury.

In selecting contractors, the tender procurement centre and project management centre must examine the safety qualifications of contractors such as safety certificate, placement of safety professionals, work and accidental injury insurance, capabilities and safety of major construction machineries and equipment, and safety assessment of contractors by construction safety regulators. Contractors have to establish safe production management, measures, objectives and various policies as part of the key assessment criteria. At the same time, contractors have to organise safety education and training for their workers and keep records for future assessment by the Group.

The Group will review its supply chain management measures on ongoing basis and strengthen environmental and social control of supply chain according to market needs in the coming year so as to minimise the overall operational risks of the Group.

Environmental, Social and Governance Report

B6. PRODUCT RESPONSIBILITY

The quality of products and services reflects the management standards of the Group and its high regard for quality. This also guarantees the customers' trust in the Group. Good product and service quality directly affects the impressions of the Group from the community and customers. Accordingly, the Group has formulated policies relating to product responsibility to ensure that customers are entitled to the fundamental health and safety protection. During the year, the Group was in compliance with the laws and regulations relating to the health and safety, advertising, labelling and privacy matters of its products and services as well as their methods of redress.

B6.1 QUALITY MANAGEMENT OF PROPERTY DEVELOPMENT

The Group has appointed a professional team for property development which prudently considers customers' health and safety from property design to property management. The design of buildings or resorts is subject to approval by the technical department and the project management centre to ensure the constructed building meets the health and safety standards from a technical perspective. As to property management, the Group has in place the security, firefighting systems and mechanical repairs in place to ensure tenants or customers enjoy the highest level of safety and protection.

In the course of construction, the Group implements stringent requirements on contractors as to the quality of building. Contractors must select qualified construction materials. Upon completion of construction, buildings have to undergo inspection by the national and regional quality inspection departments and pass their compliance tests before sales. To reflect the Group's emphasis on quality, performance of property quality inspection is also one of the performance assessment standards of relevant employees.

B6.2 QUALITY MANAGEMENT OF TELECOMMUNICATIONS RETAIL AND MANAGEMENT SERVICES

The Group has also set clear objectives for the telecommunications retail and management services business in an effort to become a leading integrated information services provider which provides professional information services to the public. The specialists will be trained regularly on customer services and subject to service assessment to ensure quality of services. In each financial year, the Group will invite customers for feedbacks to improve the information services.

B6.3 CONFIDENTIALITY

Safeguarding the privacy of customers is one of the responsibilities that the Group shoulders. Prior to collection of personal data, employees must obtain consent from customers. The Group has required all employees to keep customer information confidential to prevent it from improper use. The Group has also stated in the code of conduct of employees which strictly forbids employees from divulging unauthorised or unapproved information to third parties.

B7. ANTI-CORRUPTION

B7.1 OPERATE WITH INTEGRITY

To strengthen the monitoring system, the Group has in place anti-corruption policies to control any suspicious or actual bribery, extortion, fraud and money laundering cases. The policies ensure that the Group creates a fair, impartial and orderly managed environment. Under the employee handbook or code of conduct, the Group explicitly mentions the terms and forbidden areas regarding the code of conduct of employees (including bribery, jobbery, damage to collective interest and etc.). The assessment indicators of employees also include safeguarding corporate image, integrity and self-discipline to effectively facilitate the implementation of anti-corruption policies.

Complaint and reporting signboards are placed at construction sites to remind employees of their professional conduct and to welcome monitoring of its operations by the public. Complaint and reporting channels such as phone, email and mailing address are publicly posted at the complaint and reporting signboards to invite any reporting. Internal employees, external suppliers, business partners and customers of the Group may file complaints or reports following the anti-corruption policies of the Group.

In addition to complaint and reporting signboards, the Group also undertakes to handle any complaints and reports in strict confidence. The Group will timely investigate all the reported information and keep the source of information confidential. The Group will also take special measures to protect whistle-blowers from potential damages, unfair treatment and acts of retaliation as a result of reporting. During the year, the Group was in compliance with the regulations relating to preventing bribery, extortion, fraud and money laundering, and no litigation regarding corruption was identified.

Environmental, Social and Governance Report

B8. COMMUNITY INVESTMENT

B8.1 CONTRIBUTIONS TO COMMUNITY

As a socially responsible enterprise, the Group actively maintains close relationships with the communities that are affected by the Group's operations as part of its community contributions. During the year, the Group allocated resources to organise various community activities to unify the community and deliver positive messages. The Group also has a labour union which irregularly provides volunteer work and charity opportunities to employees, encourages them to participate and build the spirt of contribution. During the year, the community activities organised by the Group were as follows:

OWNER ACTIVITIES

The Group values its relationship with stakeholders and endeavours to respond to their needs through various stakeholder or cultural activities. For example, on 23 April 2016, the Group's property company in Jilin jointly organised the tug of war event with the real estate employees, community representatives and owner representatives to promote healthy lifestyle and pass on positive energy to the community. On the day of event, more than 70 people forming six teams comprising employees of the property company, employees of the real estate company, community representatives and owner representatives participated in the tug of war event. The tug of war event promoted the spirit of cooperation and endurance, at the same time strengthened the bonding between the property developer and the owners, thus building a harmonious community.

119 FIREFIGHTING CAMPAIGN

The Group regards raising the awareness in the public as one of the essential tasks to protect people. Education can help people prevent disasters and protect themselves in times of danger. On 19 January of the year, the Group joined hands with the Fire Department of Public Security in Baishan to organise a firefighting campaign themed "Fire Hazards Elimination and Safe Community" and provided the venue for the campaign in an effort to promote the firefighting laws and regulations as well as raise the awareness of fire prevention and firefighting. On the day of campaign, more than 100 people participated. Promotion stations and billboards were set up at the site. Picture albums and flyers were distributed to provide firefighting information to the general public. Apart from promotion, a series of demonstrations such as fire alarm, emergency escape and onsite management were presented.

HOUSING PROVIDENT FUND EVENT

"Food, Clothing, Housing and Transportation" are fundamental elements that are integral to the survival of man. Housing is one of these elements. Accordingly, the Group expected to work with the Baishan Housing Provident Fund Management Centre to organise an educational event themed "Housing provident fund makes your dream of housing come true" so that the public could know more about the beneficial policies regarding housing provident fund to help them with home purchase. As part of the event, backdrop panels, Guangze International Shopping Centre LED large screen, provident fund brochures, onsite Q&A session and TV interview were arranged to allow the public to know more about the housing provident fund related policies and regulations as well as the specific use requirements.

Independent Auditor's Report

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To the shareholders of
Ground International Development Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Ground International Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 207, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Net realisable value of properties under development and completed properties held for sale	
As at 31 March 2017, the Group's properties under development and completed properties held for sale were stated at RMB2,275 million and RMB843 million, respectively, and they were carried at the lower of cost and net realisable value. The determination of the net realisable value is highly dependent on management's judgement and estimates, such as assumptions of the expected selling prices and costs to be incurred until completion and sales. The assumptions adopted in the valuation are affected by expectations of future market or economic conditions. The Group's disclosures about the net realisable value of properties under development and completed properties held for sale are included in note 18 to the consolidated financial statements.	Amongst our audit procedures, we reviewed the Group's net realisable value estimation, checked the expected selling prices to the prices of the Group's similar properties presold recently or adjacent properties sold. For cost of completion of properties under development and the cost to be incurred in selling the properties, we evaluated management's estimation methodology, which has been updated to reflect the latest historical information and the refined construction and selling costs budget process.
Revenue recognition	
The Group's revenue for the year of approximately RMB994 million was derived from the sale of properties. The revenue was recognised when the properties were completed and the relevant risks and rewards were transferred. There is a risk of improper revenue recognition, particularly with regard to cut-off at the year end dates. The Group's disclosures about revenue recognition are included in note 5 to the consolidated financial statements.	Our audit procedures included, amongst others, assessing the design and operating effectiveness of the controls over revenue recognition, especially the timing of revenue recognition. We also performed substantive testing on a sample basis, including checking to completion reports, sales contracts and buyers' acceptances. We also assessed the sales of properties taking place before and after the year-end to determine whether the revenue was recognised in the proper period.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirement 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong

7 June 2017

Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
REVENUE	5	**1,225,545**	624,440
Cost of sales and services		**(889,767)**	(469,476)
Gross profit		**335,778**	154,964
Other income and gains	5	**29,527**	30,292
Selling and distribution expenses		**(49,161)**	(54,768)
Administrative expenses		**(97,347)**	(106,978)
Finance costs	7	**(34,172)**	(88,263)
Other expenses		**(13,368)**	(29,582)
Change in fair value of investment properties	14	**–**	14,949
Change in fair value of derivative financial instruments	21	**(25,488)**	–
Share of losses of a joint venture		**(237)**	(29)
PROFIT/(LOSS) BEFORE TAX	6	**145,532**	(79,415)
Income tax	10	**(74,739)**	(38,571)
PROFIT/(LOSS) FOR THE YEAR		**70,793**	(117,986)
Attributable to:			
Owners of the parent		**70,793**	(118,107)
Non-controlling interests		**–**	121
		70,793	(117,986)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**RMB4.2 cents**	RMB(10.0) cents
Diluted		**RMB1.2 cents**	RMB(10.0) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	2017 RMB'000	2016 RMB'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR	**70,793**	(117,986)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Change in fair value of available-for-sale investments	**23,999**	–
Exchange differences on translation of foreign operations	**(7,712)**	10,583
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**16,287**	10,583
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**87,080**	(107,403)
Attributable to:		
Owners of the parent	**87,080**	(107,521)
Non-controlling interests	**–**	118
	87,080	(107,403)

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	31 March 2017 RMB'000	31 March 2016 RMB'000 (Restated)	1 April 2015 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**12,441**	14,084	5,286
Investment properties	14	**961,138**	943,628	272,068
Goodwill		**4,999**	4,999	–
Investments in associates		**–**	–	303,752
Investment in a joint venture	15	**8,158**	8,395	8,424
Available-for-sale investments	16	**201,131**	–	–
Deferred tax assets	17	**64,402**	63,684	–
Total non-current assets		**1,252,269**	1,034,790	589,530
CURRENT ASSETS				
Properties under development and completed properties held for sale	18	**3,118,485**	3,131,866	–
Inventories	19	**36,758**	29,392	24,695
Trade and other receivables	20	**668,941**	718,650	177,600
Prepaid income tax		**27,984**	69,076	–
Derivative financial instruments	21	**46,549**	–	–
Pledged and restricted deposits	22	**46,598**	30,300	162,702
Cash and cash equivalents	22	**417,766**	84,998	57,583
Total current assets		**4,363,081**	4,064,282	422,580
CURRENT LIABILITIES				
Trade and other payables	23	**1,232,820**	1,491,398	31,734
Deposits from sales of properties	24	**884,347**	1,191,617	–
Deferred income	25	**–**	25,543	–
Loans from controlling shareholder	26	**264,824**	1,668	–
Bank and other borrowings	27	**496,777**	677,056	255,723
Income tax payable		**39,307**	48,524	1,469
Total current liabilities		**2,918,075**	3,435,806	288,926
NET CURRENT ASSETS		**1,445,006**	628,476	133,654
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,697,275**	1,663,266	723,184

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	31 March 2017 RMB'000	31 March 2016 RMB'000 (Restated)	1 April 2015 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Liability component of the Convertible Bonds	28	**206,104**	–	–
Bank and other borrowings	27	**470,970**	311,793	142,436
Deferred tax liabilities	17	**303,404**	310,544	4,080
Total non-current liabilities		**980,478**	622,337	146,516
Net assets		**1,716,797**	1,040,929	576,668
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	**141,047**	36,575	36,575
Convertible preference shares	30	**2,206,954**	–	–
Equity component of the Convertible Bonds	28	**151,545**	–	–
Reserves	32	**(782,749)**	1,004,354	540,211
		1,716,797	1,040,929	576,786
Non-controlling interests		**–**	–	(118)
Total equity		**1,716,797**	1,040,929	576,668

Approved and authorised for issue by the Board of Directors on 7 June 2017 and signed on its behalf by

Cui Xintong
Director

Wang Guanghui
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Share capital RMB'000	Convertible preference shares RMB'000	Equity component of the Convertible Bonds RMB'000	Reserves: Share premium RMB'000 (note 32(i))	Reserves: Exchange reserve RMB'000 (note 32(ii))	Reserves: Contributed surplus RMB'000 (note 32(iii))	Reserves: Share option reserve RMB'000 (note 32(iv))	Reserves: Other reserves RMB'000 (note 32(v))	Reserves: Statutory reserve RMB'000 (note 32(vi))	Reserves: Retained earnings RMB'000	Reserves: Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 April 2015 (Restated)	36,575	–	–	256,769	(18,803)	184,684	20,221	12,843	–	84,497	540,211	(118)	576,668
Loss for the year	–	–	–	–	–	–	–	–	–	(118,107)	(118,107)	121	(117,986)
Other comprehensive income for the year:													
Exchange differences arising from foreign operations	–	–	–	–	10,586	–	–	–	–	–	10,586	(3)	10,583
Total comprehensive income for the year	–	–	–	–	10,586	–	–	–	–	(118,107)	(107,521)	118	(107,403)
Arising from the Acquisition*	–	–	–	–	–	–	–	492,739	18,065	228,466	739,270	69,664	808,934
Capital injection in a subsidiary	–	–	–	–	–	–	–	200,000	–	–	200,000		200,000
Distribution prior to the Acquisition	–	–	–	–	–	–	–	(400,000)	–	–	(400,000)	–	(400,000)
Acquisition of additional equity interests in subsidiaries	–	–	–	–	–	–	–	–	–	27,664	27,664	(69,664)	(42,000)
Transfer of statutory reserve	–	–	–	–	–	–	–	–	3,117	(3,117)	–	–	–
Equity-settled share option arrangements *(note 31)*	–	–	–	–	–	–	4,730	–	–	–	4,730	–	4,730
Forfeiture of share options	–	–	–	–	–	–	(4,613)	–	–	4,613	–	–	–
Other transfers	–	–	–	–	4	–	–	–	–	(4)	–	–	–
At 31 March 2016 (Restated)	36,575	–	–	256,769	(8,213)	184,684	20,338	305,582	21,182	224,012	1,004,354	–	1,040,929

* Details of the Acquisition are set out in note 2.1 to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

				Reserves									
	Share capital RMB'000	Convertible preference shares RMB'000 (note 30)	Equity component of the Convertible Bonds RMB'000 (note 21)	Share premium RMB'000 (note 32(i))	Exchange reserve RMB'000 (note 32(ii))	Contributed surplus RMB'000 (note 32(iii))	Share option reserve RMB'000 (note 32(iv))	Available-for-sale investment revaluation reserve RMB'000	Other reserves RMB'000 (note 32(v))	Statutory reserve RMB'000 (note 32(vi))	Retained earnings RMB'000	Sub-total RMB'000	Total equity RMB'000
At 1 April 2016 (Restated)	36,575	–	–	256,769	(8,213)	184,684	20,338	–	305,582	21,182	224,012	1,004,354	1,040,929
Profit for the year	–	–	–	–	–	–	–	–	–	–	70,793	70,793	70,793
Other comprehensive income for the year:													
Change in fair value of available-for-sale investments	–	–	–	–	–	–	–	23,999	–	–	–	23,999	23,999
Exchange differences arising from foreign operations	–	–	–	–	(7,712)	–	–	–	–	–	–	(7,712)	(7,712)
Total comprehensive income for the year	–	–	–	–	(7,712)	–	–	23,999	–	–	70,793	87,080	87,080
Issuance of securities in respect of the Acquisition*	14,759	3,320,582	240,815	236,149	–	–	–	–	(3,609,595)	–	–	(3,373,446)	202,710
Issuance of new ordinary shares under share subscriptions	13,051	–	–	249,435	–	–	–	–	–	–	–	249,435	262,486
Share issuing expenses	–	–	–	(636)	–	–	–	–	–	–	–	(636)	(636)
Issuance of shares upon exercise of share options	53	–		1,356	–	–	(367)	–	–	–	–	989	1,042
Issuance of Convertible Bonds	–	–	16,346	–	–	–	–	–	–	–	–	–	16,346
Shares issued upon conversion of convertible preference shares and Convertible Bonds	76,609	(1,113,628)	(105,616)	1,243,260	–	–	–	–	–	–	–	1,243,260	100,625
Transfer of statutory reserve	–	–	–	–	–	–	–	–	–	3,975	(3,975)	–	–
Equity-settled share option arrangements *(note 31)*	–	–	–	–	–	–	6,215	–	–	–	–	6,215	6,215
Forfeiture of share options	–	–	–	–	–	–	(917)	–	–	–	917	–	–
At 31 March 2017	141,047	2,206,954	151,545	1,986,333	(15,925)	184,684	25,269	23,999	(3,304,013)	25,157	291,747	(782,749)	1,716,797

* Details of the Acquisition are set out in note 2.1 to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit/(loss) before tax		**145,532**	(79,415)
Adjustments for:			
Finance costs	7	**34,172**	88,263
Share of losses of a joint venture		**237**	29
Deferred income recognised	25	**(25,543)**	(15,276)
Interest income	5	**(672)**	(13,244)
Gain on disposal of items of property, plant and equipment	6	**(431)**	(789)
Change in fair value of investment properties	14	**–**	(14,949)
Change in fair value of derivative financial instruments	21	**25,488**	–
Depreciation	13	**4,453**	4,275
Equity-settled share option expense	6	**6,215**	4,730
Exchange difference arising on translation		**(352)**	(221)
		189,099	(26,597)
Decrease/(increase) in properties under development and completed properties held for sale		**70,720**	(862,211)
Increase in inventories		**(7,366)**	(4,697)
Decrease in trade and other receivables		**49,709**	668,869
Increase in trade and other payables		**261,439**	784,175
Increase in pledged and restricted deposits		**(16,298)**	(11,500)
Decrease in deposits from sales of properties		**(307,270)**	(32,209)
Cash generated from operations		**240,033**	515,830
Interest received		**672**	13,244
Interest paid		**(67,915)**	(111,353)
Tax paid:			
– The People's Republic of China (the "PRC") corporate income tax paid		**(40,569)**	(8,677)
– PRC land appreciation tax paid		**(10,152)**	(40,659)
Net cash flows from operating activities		**122,069**	368,385

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(2,948)**	(5,036)
Proceeds from disposal of items of property, plant and equipment		**504**	1,030
Settlement of consideration relating to prior year's purchase of net assets		**(150,000)**	–
Addition from common control combination		**–**	151,132
Purchase of available-for-sale investments		**(177,851)**	–
Purchase of net assets		**–**	6,046
Decrease in entrusted loan		**–**	143,902
Net cash flows (used in)/from investing activities		**(330,295)**	297,074
FINANCING ACTIVITIES			
Proceeds from issue of shares under share subscriptions		**262,486**	–
Share issuing expenses		**(636)**	–
Proceeds from shares issued under share option scheme		**1,042**	–
Proceeds from issue of the convertible bonds due in 2018		**35,696**	–
Proceeds from new bank loans		**320,000**	391,479
Repayment of bank loans		**(422,165)**	(962,509)
Advance from other loans		**88,546**	80,986
Repayment of other loans		**(7,380)**	(80,986)
New loans from controlling shareholder		**456,919**	16,469
Repayment of controlling shareholder's loan		**(193,866)**	(14,030)
Repayment of promissory notes		**–**	(69,674)
Net cash flows from/(used in) financing activities		**540,642**	(638,265)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**332,416**	27,194
Cash and cash equivalents at the beginning of the year		**84,998**	57,583
Effect of foreign exchange rate changes, net		**352**	221
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**417,766**	84,998

Notes to the Consolidated Financial Statements

31 March 2017

1. CORPORATE AND GROUP INFORMATION

Ground International Development Limited (the "Company", together with its subsidiaries referred to as the "Group") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year ended 31 March 2017, the Group was principally engaged in property development and management, including planning, design, budgeting, licensing, contract tendering and contract administration, property investment, and the provision of telecommunications retail sales and management services.

As at 31 March 2017, Charm Success Group Limited ("Charm Success") and Ka Yik Investments Limited ("Ka Yik"), both 100% held by Ms. Cui Xintong ("Ms. Cui", a director and deputy chairperson of the board of directors of the Company (the "Board")), held approximately 17.16% and 56.66% of the total issued capital of the Company, respectively.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business; and legal form if established in the PRC	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ground Holdings Limited	Bitish Virgin Islands ("BVI")	USD$100	100%	–	Investment holding
上海錦瀚銀通通信產品銷售有限公司 Shanghai Jinhan Yintong Communication Products Sales Co., Ltd.*	The PRC, wholly foreign-owned enterprise	RMB500,000	–	100%	Provision of distribution sales and management services
上海潤迅概念通信產品連鎖銷售有限公司 Shanghai CM Concepts Communications Products Franchise Sale Company Limited*	The PRC, wholly domestically owned enterprise	RMB30,000,000	–	100%	Provision of telecommunications retail sales and management services
上海潤迅君斯通信科技有限公司 Shanghai Motion JUNS Communication Technology Company Limited*	The PRC, wholly domestically owned enterprise	RMB5,000,000	–	100%	Provision of telecommunications call centre services
上海星際通實業有限公司 Shanghai XingJiTong Shi Ye Company Limited*	The PRC, wholly domestically owned enterprise	RMB5,000,000	–	100%	Provision of telecommunications retail sales and management services
Ground Data System Limited	Hong Kong	HK$2	–	100%	Property investment

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business; and legal form if established in the PRC	Issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
World Sheen Properties Limited	Hong Kong	HK$2	–	100%	Property investment
Ground Properties (HK) Limited	Hong Kong	HK$2	–	100%	Property investment
Jackie Industries Limited	Hong Kong	HK$2	–	100%	Property investment
Jilin Ground Real Estate Company Limited*# 吉林省廣澤地產有限公司	The PRC, wholly domestically owned enterprise	RMB100,000,000	–	100%	Property development business
Jilin Zhujia Real Estate Development Company Limited*# 吉林市築家房地產開發有限公司	The PRC, wholly domestically owned enterprise	RMB10,000,000	–	100%	Property development business
Baishan Ground Real Estate Development Company Limited*# 白山市廣澤房地產開發有限公司	The PRC, wholly domestically owned enterprise	RMB50,000,000	–	100%	Property development business
Yanji Huize Real Estate Development Company Limited*# 延吉市惠澤房地產開發有限公司	The PRC, wholly domestically owned enterprise	RMB50,000,000	–	100%	Property development business
Fusong Ground Real Estate Development Company Limited*# 撫松廣澤房地產開發有限公司	The PRC, wholly domestically owned enterprise	RMB110,000,000	–	100%	Property development business
Fusong Changbaishan Ground Tourism Development Company Limited*# 撫松長白山廣澤旅遊開發有限公司	The PRC, wholly domestically owned enterprise	RMB10,000,000	–	100%	Tourism development and management business
Jilin Wan Sheng Property Development Company Limited ("Wan Sheng")* 吉林市萬升房地產開發有限公司	The PRC, wholly foreign-owned enterprise	RMB200,000,000	–	100%	Property development business

Notes to the Consolidated Financial Statements

31 March 2017

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business; and legal form if established in the PRC	Issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Baishan Ground Business Management Company Limited*# 白山市廣澤商業管理有限公司	The PRC, wholly domestically owned enterprise	RMB500,000	–	100%	Real estate rental management
Jilin Ground Property Services Company Limited*# 吉林市廣澤物業服務有限公司	The PRC, wholly domestically owned enterprise	RMB3,000,000	–	100%	Real estate property management

During the year, the Group acquired these companies through a business combination under common control. Further details of this business combination are included in notes 2.1 and 33 to the consolidated financial statements.

* For identification purpose only

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and available-for-sale investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

The change in presentation currency of the Group's consolidated financial statements

The Company's functional currency is Hong Kong dollars ("HK$"). The presentation currency of the consolidated financial statements in the prior financial year was also HK$.

Since the Acquisition (as defined below), the functional currency of most of the subsidiaries within the Group is Renminbi ("RMB") with RMB being the currency of the primary economic environment which the Group is exposed to. The directors of the Company are of the opinion that the presentation currency of the consolidated financial statements of the Group should be changed from HK$ to RMB. Comparative figures in these consolidated financial statements have been restated from HK$ to RMB accordingly.

For the purpose of presenting the consolidated financial statements of the Group in RMB, the assets and liabilities for the consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period. Income and expenses for the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows are translated at the average exchange rates for the relevant financial year, unless exchange rates fluctuated significantly during the year, in which case, the exchange rates prevailing on the dates of transactions are used. The share capital and reserves are translated at the exchange rates on the dates of the relevant transactions.

Restatement of the consolidated financial statements for the year ended 31 March 2016 due to a business combination involving entities under common control

On 24 April 2015, Ms. Chai Xiu ("Ms. Chai", the former controlling shareholder of the Company, and a director and chairperson of the Board) transferred her entire shareholding in Charm Success Group Limited to Ms. Cui (the daughter of Ms. Chai, and a director and deputy chairperson of the Board) pursuant to a deed of gift dated 24 April 2015. Such transfer was completed on the same date and Ms. Cui obtained the control of the Company on 24 April 2015.

Pursuant to a sale and purchase agreement (as amended by a supplemental agreement dated 3 July 2015, a second supplementary agreement dated 22 December 2015 and an extension letter dated 31 March 2016) dated 26 May 2015 entered into among Frontier Power Investments Limited ("Frontier Power", a wholly-owned subsidiary of the Company), Ka Yik Investments Limited ("Ka Yik", a company wholly-owned by Ms. Cui) and Ms. Cui, Frontier Power agreed to acquire and Ka Yik agreed to sell the entire equity interest in Ka Yun Investments Limited ("Ka Yun") for a consideration of HK$4,650 million (the "Acquisition"). The Acquisition was completed on 27 July 2016, from which the Group obtained the control of Ka Yun and its subsidiaries (the "Ka Yun Group") accordingly.

Notes to the Consolidated Financial Statements

31 March 2017

2.1 BASIS OF PREPARATION (continued)

Restatement of the consolidated financial statements for the year ended 31 March 2016 due to a business combination involving entities under common control (continued)

As the Company and Ka Yun have been under the common control of Ms. Cui before and after the Acquisition with such control not being transitory, the Group's obtaining of control over the Ka Yun Group pursuant to the Acquisition is considered as a business combination involving an entity under common control and Accounting Guideline 5 ("AG5") *Merger Accounting for Common Control Combinations* issued by HKICPA has been applied. The consolidated financial statements of the Group have been therefore prepared using the merger basis of accounting from the date when the Company and Ka Yun became under common control of Ms. Cui (i.e, 24 April 2015). Accordingly, the comparative figures of the consolidated financial statements have been restated.

The net assets of the Ka Yun Group have been consolidated using the existing book values from the perspective of Ms. Cui, the common controlling party. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the business combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and the consolidated statement of cash flows for the year ended 31 March 2016 include the results and cash flows, respectively, of the Ka Yun Group from the date when the common control was first established (i.e, 24 April 2015).

2.1 BASIS OF PREPARATION (continued)

The effects of the business combination under common control and the change in presentation currency from HK$ to RMB on the consolidated statement of profit or loss for the year ended 31 March 2016 by line items are as follows:

	The Group for the year ended 31 March 2016 HK$'000 (as previously reported)	The Group for the year ended 31 March 2016 RMB'000	Ka Yun Group from 24 April 2015 to 31 March 2016 RMB'000	Common control adjustments RMB'000	Year ended 31 March 2016 RMB'000 (Restated)
REVENUE	249,092	204,181	420,259	–	624,440
Cost of sales and services	(145,295)	(119,099)	(350,377)	–	(469,476)
Gross profit	103,797	85,082	69,882	–	154,964
Other income and gains	18,032	14,781	15,511	–	30,292
Selling and distribution expenses	(56,736)	(46,506)	(8,262)	–	(54,768)
Administrative expenses	(102,760)	(84,232)	(22,746)	–	(106,978)
Finance costs	(25,443)	(20,856)	(67,407)	–	(88,263)
Other expenses	–	–	(29,582)	–	(29,582)
Change in fair value of investment properties	–	–	14,949	–	14,949
Share of loss of associates	(1,938)	(1,589)	–	1,589	–
Share of loss of a joint venture	(35)	(29)	–	–	(29)
LOSS BEFORE TAX	(65,083)	(53,349)	(27,655)	1,589	(79,415)
Income tax	(10,639)	(8,721)	(29,850)	–	(38,571)
LOSS FOR THE YEAR	(75,722)	(62,070)	(57,505)	1,589	(117,986)
Attributable to:					
Owners of the parent	(75,870)	(62,191)	(55,916)	–	(118,107)
Non-controlling interests	148	121	(1,589)	1,589	121
LOSS FOR THE YEAR	(75,722)	(62,070)	(57,505)	1,589	(117,986)

Notes to the Consolidated Financial Statements

31 March 2017

2.1 BASIS OF PREPARATION (continued)

The effects of the business combination under common control and the change in presentation currency from HK$ to RMB on the consolidated statement of comprehensive income for the year ended 31 March 2016 by line items are as follows:

	The Group for the year ended 31 March 2016 HK$'000 (as previously reported)	The Group for the year ended 31 March 2016 RMB'000	Ka Yun Group from 24 April 2015 to 31 March 2016 RMB'000	Common control adjustments RMB'000	Year ended 31 March 2016 RMB'000 (Restated)
LOSS FOR THE YEAR	(75,722)	(62,070)	(57,505)	1,589	(117,986)
Other comprehensive income may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(498)	10,583	–	–	10,583
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(76,220)	(51,487)	(57,505)	1,589	(107,403)
Attributable to:					
Owners of the parent	(76,368)	(51,605)	(55,916)	–	(107,521)
Non-controlling interests	148	118	(1,589)	1,589	118
	(76,220)	(51,487)	(57,505)	1,589	(107,403)

2.1 BASIS OF PREPARATION (continued)

The effects of the business combination under common control and the change in presentation currency from HK$ to RMB on the consolidated statement of financial position as at 31 March 2016 by line items are as follows:

	The Group at 31 March 2016 HK$'000 (as previously reported)	The Group at 31 March 2016 RMB'000	Ka Yun Group at 31 March 2016 RMB'000	Common control adjustments RMB'000	31 March 2016 RMB'000 (Restated)
NON-CURRENT ASSETS					
Property, plant and equipment	7,711	6,432	7,652	–	14,084
Investment properties	340,000	283,628	660,000	–	943,628
Goodwill	–	–	4,999	–	4,999
Investments in associates	385,029	321,191	–	(321,191)	–
Investment in a joint venture	10,063	8,395	–	–	8,395
Deferred tax assets	322	268	63,416	–	63,684
Total non-current assets	743,125	619,914	736,067	(321,191)	1,034,790
CURRENT ASSETS					
Properties under development and completed properties held for sale	277,037	231,104	2,900,762	–	3,131,866
Inventories	35,233	29,392	–	–	29,392
Trade and other receivables	227,080	189,430	529,220	–	718,650
Prepaid income tax	7,656	6,387	62,689	–	69,076
Pledged and restricted deposits	22,537	18,800	11,500	–	30,300
Cash and cash equivalents	81,946	68,359	16,639	–	84,998
Total current assets	651,489	543,472	3,520,810	–	4,064,282

Notes to the Consolidated Financial Statements

31 March 2017

2.1 BASIS OF PREPARATION (continued)

The effects of the business combination under common control and the change in presentation currency from HK$ to RMB on the consolidated statement of financial position as at 31 March 2016 by line items are as follows: (continued)

	The Group at 31 March 2016 HK$'000 (as previously reported)	The Group at 31 March 2016 RMB'000	Ka Yun Group at 31 March 2016 RMB'000	Common control adjustments RMB'000	31 March 2016 RMB'000 (Restated)
CURRENT LIABILITIES					
Trade and other payables	370,456	309,034	1,182,364	–	1,491,398
Deposits from sales of properties	108,754	90,722	1,100,895	–	1,191,617
Deferred income	–	–	25,543	–	25,543
Loans from controlling shareholder	2,000	1,668	–	–	1,668
Bank and other borrowings	102,263	85,308	591,748	–	677,056
Income tax payable	2,824	2,356	46,168	–	48,524
Total current liabilities	586,297	489,088	2,946,718	–	3,435,806
NET CURRENT ASSETS	65,192	54,384	574,092	–	628,476
TOTAL ASSETS LESS CURRENT LIABILITIES	808,317	674,298	1,310,159	(321,191)	1,663,266

2.1 BASIS OF PREPARATION (continued)

The effects of the business combination under common control and the change in presentation currency from HK$ to RMB on the consolidated statement of financial position as at 31 March 2016 by line items are as follows: (continued)

	The Group at 31 March 2016 HK$'000 (as previously reported)	The Group at 31 March 2016 RMB'000	Ka Yun Group at 31 March 2016 RMB'000	Common control adjustments RMB'000	31 March 2016 RMB'000 (Restated)
NON-CURRENT LIABILITIES					
Bank and other borrowings	146,000	121,793	190,000	–	311,793
Deferred tax liabilities	5,099	4,254	306,290	–	310,544
Total non-current liabilities	151,099	126,047	496,290	–	622,337
Net assets	657,218	548,251	813,869	(321,191)	1,040,929
EQUITY					
Equity attributable to owners of the parent					
Share capital	42,923	36,575	62	(62)	36,575
Reserves	614,295	511,676	744,143	(251,465)	1,004,354
Non-controlling interests	–	–	69,664	(69,664)	–
Total equity	657,218	548,251	813,869	(321,191)	1,040,929

Notes to the Consolidated Financial Statements

31 March 2017

2.1 BASIS OF PREPARATION (continued)

The effects of the business combination under common control and the change in presentation currency from HK$ to RMB on the consolidated statement of cash flows for the year ended 31 March 2016 by major line items are as follows:

	The Group for the year ended 31 March 2016 HK$'000 (as previously reported)	The Group for the year ended 31 March 2016 RMB'000	Ka Yun Group from 24 April 2015 to 31 March 2016 RMB'000	Common control adjustments RMB'000	Year ended 31 March 2016 RMB'000 (Restated)
Net cash from operating activities	(55,366)	(50,157)	418,542	–	368,385
Net cash from investing activities	342,693	290,681	6,393	–	297,074
Net cash used in financing activities	(274,716)	(229,969)	(408,296)	–	(638,265)
Net increase in cash and cash equivalents	12,611	10,555	16,639	–	27,194
Cash and cash equivalents at the beginning of the year	71,966	57,583	151,132	(151,132)	57,583
Effect of foreign exchange rate changes, net	(2,631)	221	–	–	221
Cash and cash equivalents as stated in the consolidated statement of financial position	81,946	68,359	167,771	(151,132)	84,998

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Consolidated Financial Statements

31 March 2017

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

For the business combination under common control, the financial statements of the Group and the acquired subsidiaries have been combined, as if the Group acquired such subsidiaries from the beginning of the earliest financial period that common control existed. The net assets of the Group and the acquired subsidiaries are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of the acquired subsidiaries' identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consideration and the book value of the acquired subsidiaries at the time of common control combination is deducted into the reserves of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in consolidated financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to consolidated financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

31 March 2017

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which are applicable to the Group's operation, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRS[5]

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2019.

4 No mandatory effective date yet determined but available for adoption.

5 Annual Improvements 2014-2016 Cycle contain amendments to three standards. Amendments to HKFRS 12 will be effective for annual periods beginning on or after 1 January 2017. Amendments to HKFRS 1 and Amendments to HKAS 28 will be effective for annual periods beginning on or after 1 January 2018.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

For the business combination under common control, the financial statements of the Group and the acquired subsidiaries have been combined, as if the Group acquired such subsidiaries from the beginning of the earliest financial period that common control existed. The net assets of the Group and the acquired subsidiaries are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of the acquired subsidiaries' identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and the book value of the acquired subsidiaries at the time of common control combination is deducted into the reserves of the Group.

Fair value measurement

The Group measures its investment properties, available-for-sale-investment and derivative financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

Or

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Furniture & fixtures and office equipment	20% to 33%
Leasehold improvements	Over the shorter of the lease terms and 20%
Motor vehicles	20% to 30%

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. The net realisable value of properties under development is determined by establishing the market values of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

The land held for future development represents parcels of land owned by the Group for the purpose of development of properties for sale. The land is initially stated at cost less any impairment losses and is not depreciated. It is transferred to properties under development upon commencement of the related construction work in the property development project.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at each reporting date when fair value can be determined reliably. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be reliably determined or construction is completed.

The Group determines whether completed properties held for sale and properties under development would be transferred to investment properties when, and only when, there is a change in use, evidenced by the following criteria: (a) the Group has prepared a business plan that reflects the future rental income generated by the property and this is supported with evidence that there is demand for rental space; (b) the Group can demonstrate that it has the resources, including the necessary financing or capital, to hold and manage an investment property; (c) the change in use is legally permissible; (d) if the property must be further developed for the change in use, the development has commenced and (e) change in use is approved by the Board.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other 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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank loans and other borrowings, loans from controlling shareholder and the liability component of the convertible bonds.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

Loans and borrowings

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Convertible bonds

If the early redemption option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. The component of the convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On initial recognition, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group's derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

Inventories comprise merchandise purchased for resale and consumables and are stated at the lower of cost and net realisable value. The cost of merchandise is determined on the first in, first out method. Net realisable value is determined based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties have been transferred to the buyers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties is retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when construction of the relevant properties has been completed and the Group has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the purchasers, and the collectability of related receivables is reasonably assured. Payments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from the sales of headphones, mobile phones, telecommunications equipment and products is recognised on the transfer to ownership, which generally coincides with the time of delivery.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

Rental income derived from the lease of the Group's properties is recognised on a time proportion basis over the lease terms.

Property management fee income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered.

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market condition or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

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

Pursuant to the relevant PRC laws and regulations, each of the PRC subsidiaries of the Group is required to participate in a retirement benefit scheme organised by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions. Contributions made to the defined contribution retirement benefit scheme are charged to the statement of profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These consolidated financial statements are presented in Renminbi. The Company's consolidated financial statements are presented in Renminbi because management considers that a substantial majority of the group companies are in the PRC and the Group primarily generates and expends cash in Renminbi. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at the lower of cost and net realisable value, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties and are subject to revaluation at the end of each reporting period.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty

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

Net realisable value for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value.

The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis. The net realisable value of properties under development is determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable profit margin. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which the estimate is changed will be adjusted accordingly.

Fair value of investment properties

The investment properties of the Group are measured at fair value, which were revalued based on the appraised market value by an independent professional valuer. The fair value for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the surrounding areas. The fair values of investment properties under development are determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable margin. The determination of the fair value for completed investment properties requires the Group to estimate reversionary potential of the properties while for investment properties under development, estimates on costs to be incurred and future margin are required in the valuation.

The carrying amount of investment properties as at 31 March 2017 was RMB961,138,000 (2016: RMB943,628,000). Further details, including the key assumptions used for fair value measurement, are stated in note 14 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

PRC Land Appreciation Tax ("LAT")

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

When calculating the LAT, the Group needs to estimate the deductible expenditures and makes judgement on the relevant tax rate on an individual property basis under the relevant applicable tax laws and regulations. Given the uncertainties of the calculative basis of LAT to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated at the end of the reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the LAT expense and LAT provision in the period in which the differences are realised.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2017 was RMB33,260,000 (2016: RMB20,958,000). The amount of unrecognised tax losses at 31 March 2017 was RMB273,848,000 (2016: RMB194,570,000). Further details are contained in note 17 to the consolidated financial statements.

Provision for impairment of trade and other receivables

The policy for provision for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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31 March 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Allocation of construction cost on properties under development

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

Fair value of derivative financial instruments

Where the fair value of derivative financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using the valuation technique of the binomial price model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

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

Operating segments	Nature of business activities	Place of operation
Property development and management	Property development and provision of management service to property project	The PRC
Property investment	Property holding for long term investment and leasing purposes	The PRC and Hong Kong
Telecommunications retail sales and management services	Sales of headphones, mobile phones, telecommunications equipment and other products and provision for (i) telecommunications call centre services; and (ii) telecommunications retail sales and management Services	The PRC

The operating segment of "Others" previously disclosed mainly represents unallocated head office and corporate expenses which has been presented as a single line item of "unallocated head office and corporate expenses" rather than as a separate operating segment. The comparative figures have been restated accordingly.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, prepaid income tax, available-for-sale investments, derivative financial instruments, pledged and restricted deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, income tax payable, liability component of the Convertible Bonds, bank and other borrowings, loans from controlling shareholder and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2017

	Property development and management RMB'000	Property investment RMB'000	Telecommunications retail sales and management services RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	1,012,350	20,119	193,076	1,225,545
Segment results	210,801	(5,746)	29,739	234,794
Interest income				672
Finance costs				(34,172)
Change in fair value of derivative financial instruments				(25,488)
Unallocated head office expenses				(30,037)
Share of loss of a joint venture				(237)
Profit before tax				145,532
Income tax				(74,739)
Profit for the year				70,793
Segment assets:				
Reportable segment assets	3,717,590	975,369	99,328	4,792,287
Deferred tax assets				64,402
Prepaid income tax				27,984
Available-for-sale investments				201,131
Derivative financial instruments				46,549
Unallocated assets				482,997
Total assets				5,615,350

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2017 (continued)

	Property development and management RMB'000	Property investment RMB'000	Telecommunications retail sales and management services RMB'000	Total RMB'000
Segment liabilities				
Reportable segment liabilities	(2,065,316)	(7,636)	(34,014)	(2,106,966)
Deferred tax liabilities				(303,404)
Income tax payable				(39,307)
Liability component of the Convertible Bonds				(206,104)
Unallocated liabilities				(1,242,772)
Total liabilities				(3,898,553)
Other segment information				
Capital expenditure*	109	803	1,026	1,938
Depreciation**	1,351	713	1,816	3,880

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2016 (Restated)

	Property development and management RMB'000	Property Investment RMB'000	Telecommunications retail sales and management services RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	405,701	16,326	202,413	624,440
Segment results	28,029	(6,011)	24,098	46,116
Interest income				13,244
Finance costs				(88,263)
Unallocated head office expenses				(50,483)
Share of loss of a joint venture				(29)
Loss before tax				(79,415)
Income tax				(38,571)
Loss for the year				(117,986)
Segment assets:				
Reportable segment assets	3,768,094	953,607	91,553	4,813,254
Deferred tax assets				63,684
Prepaid income tax				69,076
Unallocated assets				153,058
Total assets				5,099,072

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2016 (Restated) (continued)

	Property development and management RMB'000	Property Investment RMB'000	Telecommunications retail sales and management services RMB'000	Total RMB'000
Segment liabilities				
Reportable segment liabilities	(2,649,278)	(11,613)	(30,693)	(2,691,584)
Deferred tax liabilities				(310,544)
Income tax payable				(48,524)
Unallocated liabilities				(1,007,491)
Total liabilities				(4,058,143)
Other segment information				
Capital expenditure*	442	1,650	2,869	4,961
Depreciation**	1,842	580	1,475	3,897

* During the year, the head office also incurred capital expenditure of RMB1,010,000 (2016: RMB75,000) which represents additions to non-current assets.

** Included in unallocated head office expenses is depreciation of RMB573,000 (2016: RMB378,000).

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2017 RMB'000	2016 RMB'000 (Restated)
The PRC	**1,218,096**	622,672
Hong Kong	**7,449**	1,768
	1,225,545	624,440

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017 RMB'000	2016 RMB'000 (Restated)
The PRC	**684,366**	686,748
Hong Kong	**302,370**	284,358
	986,736	971,106

The non-current asset information above is based on the locations of the assets and excludes available-for-sale investments and deferred tax assets.

Information about major customers

There was no customer who accounted for over 10% of the Group's revenue for the year ended 31 March 2017 (2016: approximately RMB117,242,000 or 18.8% of the Group's revenue is derived from a single customer in the telecommunications retail sales and management services segment).

5. REVENUE, OTHER INCOME AND GAINS

Revenue mainly represents income from the sale of properties, the sale of headphones, mobile phones and telecommunications equipment and products, telecommunications retail sales and management services income, telecommunications call centre service income, rental income and property management service income.

An analysis of revenue, other income and gains is presented below:

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue		
Sale of properties	**994,492**	384,381
Sale of headphones, mobile phones and telecommunication equipment and products	**71,081**	90,553
Telecommunications retail sales and management services income	**66,117**	55,788
Telecommunications call centre service income	**55,878**	56,072
Rental income	**20,119**	16,326
Property management service income	**17,858**	21,320
	1,225,545	624,440
Other income and gains		
Government subsidy *(note)*	**27,944**	15,899
Interest income	**672**	13,244
Others	**911**	1,149
	29,527	30,292

Note: During the years ended 31 March 2017 and 2016, the Group received government subsidy from local government authorities as recognition of the Group's contribution in the relevant district in the PRC.

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6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Note	2017 RMB'000	2016 RMB'000 (Restated)
Cost of properties sold		**713,594**	290,666
Cost of services		**96,228**	82,933
Cost of goods sold		**56,561**	72,648
Cost of rental		**23,384**	23,229
Depreciation	13	**4,453**	4,275
Staff costs (including directors' emoluments):			
Salaries, wages and other benefits		**99,061**	100,771
Equity-settled share option expense		**6,215**	4,730
Contribution to defined contribution plan		**22,063**	26,647
Total staff cost		**127,339**	132,148
Less: amount capitalised into properties under development		**(6,758)**	(16,999)
		120,581	115,149
Auditor's remuneration:			
Current year		**2,380**	920
Other services		**1,270**	5,934
Minimum lease payments under operating leases		**10,493**	9,836
Foreign exchange differences, net		**(267)**	11,219
Direct operating expenses arising from investment properties that generated rental income		**532**	88
Direct operating expenses arising from investment properties that did not generate rental income		**336**	4,669
Gain on disposal of items of property, plant and equipment		**(431)**	(789)
Legal and professional fees arising from the Acquisition*		**5,513**	29,266

* Legal and professional fees arising from the Acquisition are included in other expenses in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000 (Restated)
Interest on bank loans	**63,638**	76,954
Interest on Convertible Bonds	**23,596**	–
Interest on other loans	**1,221**	5,966
Interest on amount due to a related company *(Note)*	**3,056**	23,558
Interest on promissory notes	**–**	4,875
Total interest expense	**91,511**	111,353
Less: Interest capitalised*	**(57,339)**	(23,090)
	34,172	88,263

Note: During the years ended 31 March 2017 and 2016, certain subsidiaries of the Group acquired from the Acquisition borrowed loans from a related company (a former non-controlling shareholder of those subsidiaries) which bore interest at 20% per annum. These loans were repaid prior to the completion of the Acquisition.

* The borrowing costs have been capitalised at rates ranging from 5.6% to 6.8% per annum (2016: 5.6% to 11% per annum).

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8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	RMB'000	RMB'000
		(Restated)
Fees	**625**	676
Other emoluments:		
Salaries, allowances and benefits in kind	**6,461**	5,164
Performance related bonuses	**1,110**	45
Equity-settled share option expense	**2,393**	1,862
Pension scheme contributions	**277**	265
	10,241	7,336
	10,866	8,012

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors for the years ended 31 March 2017 and 2016 is set out below:

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2017						
Executive directors:						
Chai Xiu	–	1,986	–	–	16	2,002
Cui Xintong *(a)*	–	2,373	867	–	16	3,256
Wang Guanghui	–	1,002	243	2,007	155	3,407
Huang Bingxing	–	1,100	–	386	90	1,576
	–	6,461	1,110	2,393	277	10,241
Independent non-executive directors:						
Chan Yuk Tong	208	–	–	–	–	208
Mei Jianping	208	–	–	–	–	208
Xiang Qiang *(b)*	125	–	–	–	–	125
Wei Lidong *(c)*	84	–	–	–	–	84
	625	–	–	–	–	625
	625	6,461	1,110	2,393	277	10,866

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8. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors for the years ended 31 March 2017 and 2016 is set out below: (continued)

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2016 (Restated)						
Executive directors:						
Chai Xiu	–	3,106	–	–	15	3,121
Wang Guanghui	–	1,318	45	508	157	2,028
Huang Bingxing	–	740	–	1,354	93	2,187
	–	5,164	45	1,862	265	7,336
Non-executive director:						
Chen Luhui *(d)*	85	–	–	–	–	85
Independent non-executive directors:						
Chan Yuk Tong	197	–	–	–	–	197
Mei Jianping	197	–	–	–	–	197
Wei Lidong *(c)*	197	–	–	–	–	197
	591	–	–	–	–	591
	676	5,164	45	1,862	265	8,012

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:

(a) Appointed on 14 September 2016.

(b) Appointed on 25 August 2016.

(c) Resigned on 25 August 2016.

(d) Resigned on 8 September 2015.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2016: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2016: two) highest paid employee who is not a director of the Company are as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Salaries, allowances and benefits in kind	**1,249**	1,957
Performance related bonuses	**642**	–
Equity-settled share option expense	**635**	–
Pension scheme contributions	**16**	30
	2,542	1,987

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

	Number of employees	
	2017	2016 (Restated)
Nil to HK$1,000,000 (equivalent to Nil to RMB895,000)	**–**	–
HK$1,000,001 to HK$1,500,000 (equivalent to RMB895,000 to RMB1,342,000)	**–**	2
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,342,000 to RMB1,789,000)	**–**	–
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,789,000 to RMB2,236,000)	**–**	–
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,236,000 to RMB2,684,000)	**1**	–
	1	2

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9. FIVE HIGHEST PAID EMPLOYEES (continued)

During the year, share options were granted to a non-director highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

10. INCOME TAX

The provision for the PRC Corporate Income Tax ("CIT") has been provided at the applicable income tax rate of 25% on the assessable profits of the Group's subsidiaries in the PRC (2016: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

No Hong Kong profits tax has been provided for the years ended 31 March 2017 and 2016 as the Group's estimated unrecognised tax losses brought forward from previous years exceeded the estimated assessable profits for both years.

The Group's subsidiaries are not subject to any income tax in Bermuda, BVI and Samoa pursuant to the respective rules and regulations.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

The estimated withholding tax effects on the distribution of the unremitted retained earnings of the PRC subsidiaries and a joint venture amounted to approximately RMB50,025,000 (2016: RMB35,330,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for deferred taxation have been made in this respect.

10. INCOME TAX (continued)

	2017 RMB'000	2016 RMB'000 (Restated)
Current tax:		
PRC CIT	**48,120**	16,601
PRC LAT	**34,739**	27,641
Hong Kong and overseas	**–**	–
	82,859	44,242
Deferred tax *(note 17)*	**(8,120)**	(5,671)
	74,739	38,571

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

	2017 RMB'000	2017 %	2016 RMB'000	2016 %
Profit/(loss) before tax	**145,532**		(79,415)	
Tax at the statutory tax rate of 25%	**36,383**	**25**	(19,854)	25
Expenses not deductible for tax	**6,218**	**4**	12,288	(15)
Income not subject to tax	**(9,412)**	**(6)**	(243)	–
Effect on overseas tax rate differences	**1,934**	**6**	331	–
PRC LAT deductible for PRC CIT purposes	**(8,685)**	**(6)**	(6,910)	9
PRC LAT	**34,739**	**24**	27,641	(35)
Utilisation of previously unrecognised tax losses	**(738)**	**(1)**	–	–
Unrecognised temporary differences	**481**	**–**	–	–
Utilisation of previously unrecognised temporary differences	**–**	**–**	(1,715)	2
Tax losses not recognised	**13,819**	**10**	27,033	(34)
Tax charge at the Group's effective rate	**74,739**	**51**	38,571	(49)

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11. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,669,102,000 (2016: 1,179,836,000) in issue during the year as if the consideration shares for the Acquisition were issued on 24 April 2015 when the common control was first established.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2017 **RMB'000**	2016 RMB'000 (Restated)
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	**70,793**	(118,107)
Effect of interest on the liability component of the Convertible Bonds	**23,596**	–
Effect of fair value loss on the derivative component of the Convertible Bonds	**25,488**	–
Adjusted profit/(loss) attributable to equity holders of the parent	**119,877**	(118,107)

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings/(loss) per share are based on: (continued)

	Number of shares	
	2017	2016
	’000	’000
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,669,102**[(b)]	1,179,836[(a)]
Effect of dilution – weighted average number of ordinary shares:		
Convertible preference shares	**4,220,175**	4,253,312
Convertible Bonds	**599,331**[(c)]	551,168
Share options	**17,875**	–[(d)]
	6,506,483	5,984,316[(e)]

(a) In accordance with AG5 *Merger Accounting for Common Control Combinations* issued by the HKICPA, ordinary shares issued as part of a common control combination are included in the calculation of the weighted average number of shares for all periods presented. Accordingly, the number of ordinary shares used for the calculation of basic earnings per share above is the aggregate of the weighted average number of shares of the Company whose shares are outstanding after the combination.

(b) The number of ordinary shares used for the calculation of basic earnings per share for the year ended 31 March 2017 includes the aggregate of the weighted average number of shares issued upon the conversion of 1,500,000,000 convertible preference shares, which were issued in connection to the Acquisition.

(c) Because the diluted earnings per share amount was increased when taking the Convertible Bonds into account, the Convertible Bonds had an anti-dilutive effect on the basic earnings per share amount for the year ended 31 March 2017 and were ignored in the calculation of diluted earnings per share. Therefore, the calculation of diluted earnings per share amount was based on the profit for the year of RMB70,793,000 and the weighted average number of ordinary shares of 5,907,152,000 in issue during the year.

(d) Because the exercise prices of share options were out of the money compared to the average stock prices of the Company during the year ended 31 March 2016, share options did not have a dilutive effect on the basic loss per share amount for the year ended 31 March 2016.

(e) Because the Group incurred loss for the year ended 31 March 2016 and the diluted loss per share amount was increased when taking into account of the impacts arising from the convertible preference shares and the Convertible Bonds, the convertible preference shares and the Convertible Bonds had an anti-dilutive effect on the basic loss per share amount for the year and were ignored in the calculation of diluted loss per share.

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13. PROPERTY, PLANT AND EQUIPMENT

	Furniture & fixtures and office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
31 March 2017				
At 1 April 2016: (Restated)				
Cost	13,553	4,993	8,260	26,806
Accumulated depreciation	(4,660)	(1,950)	(6,112)	(12,722)
Net carrying amount	8,893	3,043	2,148	14,084
At 1 April 2016, net of accumulated depreciation (Restated)	8,893	3,043	2,148	14,084
Additions	383	2,061	504	2,948
Disposals	(14)	–	(189)	(203)
Depreciation provided during the year	(1,939)	(1,717)	(797)	(4,453)
Exchange realignment	40	25	–	65
At 31 March 2017, net of accumulated depreciation	7,363	3,412	1,666	12,441
At 31 March 2017:				
Cost	13,734	6,828	5,820	26,382
Accumulated depreciation	(6,371)	(3,416)	(4,154)	(13,941)
Net carrying amount	7,363	3,412	1,666	12,441

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture & fixtures and office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
31 March 2016 (Restated)				
At 1 April 2015:				
Cost	3,129	2,376	2,120	7,625
Accumulated depreciation	(490)	(703)	(1,146)	(2,339)
Net carrying amount	2,639	1,673	974	5,286
At 1 April 2015, net of accumulated depreciation	2,639	1,673	974	5,286
Additions	1,628	2,606	802	5,036
Additions from the Acquisition *(note 33)*	6,649	–	1,570	8,219
Additions from the acquisition of subsidiaries	6	–	16	22
Disposals	(3)	–	(238)	(241)
Depreciation provided during the year	(2,059)	(1,240)	(976)	(4,275)
Exchange realignment	33	4	–	37
At 31 March 2016, net of accumulated depreciation	8,893	3,043	2,148	14,084
At 31 March 2016:				
Cost	13,553	4,993	8,260	26,806
Accumulated depreciation	(4,660)	(1,950)	(6,112)	(12,722)
Net carrying amount	8,893	3,043	2,148	14,084

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14. INVESTMENT PROPERTIES

	2017 **RMB'000**	2016 RMB'000 (Restated)
Carrying amount at 1 April	**943,628**	272,068
Additions from the Acquisition *(note 33)*	**–**	645,051
Net gain from fair value adjustment	**–**	14,949
Exchange alignment	**17,510**	11,560
Carrying amount at 31 March	**961,138**	943,628
Representing:		
The PRC	**660,000**	660,000
Hong Kong	**301,138**	283,628
Carrying amount at 31 March	**961,138**	943,628

At 31 March 2017, the Group's investment properties included the office premises in Kowloon Bay, Hong Kong and certain units of a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer). There was no significant change in the fair value of these investment properties.

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value hierarchy of the Group's investment properties:

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	961,138	961,138

	Fair value measurement as at 31 March 2016 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000 (Restated)
Recurring fair value measurement for:				
Commercial properties	–	–	943,628	943,628

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

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14. INVESTMENT PROPERTIES (continued)

The quantitative information of the significant unobservable inputs and the description of valuation techniques used in Level 3 fair value measurement are as follows:

	Description	Fair value at 31 March 2017 & 2016 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average, if applicable)
1)	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	**301,138 (2016: 283,628)**	Sales comparison approach	Comparable's unit selling/asking price	HK$1.4 million per unit
	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong		Income capitalisation approach	Capitalisation rate Market rent	3% HK$19.7 per square foot
2)	Retail shops located on basement 1 and levels 3 to 5 of Guangze International Shopping Center, Baishan City, the PRC	**660,000 (2016: 660,000)**	Income capitalisation approach	Capitalisation rate Market rent	3% RMB22.4 per square metre
	Car parking spaces located on basement 2 of Guangze International Shopping Center, Baishan City, the PRC		Comparable market transaction approach	Comparable's unit selling/asking price	RMB150,000 per unit

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. The higher the comparable's unit selling/asking price and the lower the capitalisation rate/the higher the market rent, the higher is the fair value. Reversionary yield is estimated by the independent valuer based on the risk profile of the properties being valued. The higher the yield, the lower the fair value is.

At 31 March 2017, certain of the Group's investment properties with an aggregate carrying amount of RMB301,138,000 (2016: RMB283,628,000) were pledged to banks to secure certain of the bank loans granted to the Group.

15. INVESTMENT IN A JOINT VENTURE

	2017 RMB'000	2016 RMB'000 (Restated)
Share of net assets	**8,158**	8,395

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

Name	Register capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
上海新華滙訊通信設備銷售有限公司 Shanghai Xinhua Motion Communication Technology Company Limited ("Shanghai Xinhua Motion")*	RMB10,000,000	The PRC	55	55	55	Provision of retail sales and management services

* *English translation for identification purposes only.*

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

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

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15. INVESTMENT IN A JOINT VENTURE (continued)

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

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

	2017	2016
	RMB'000	RMB'000
		(Restated)
Cash and cash equivalents	**196**	8,195
Other current assets	**14,635**	7,087
Current assets	**14,831**	15,282
Non-current assets	**4**	21
Current liabilities	**(2)**	(40)
Net assets	**14,833**	15,263
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**55%**	55%
Group's share of net assets of the joint venture and its carrying amount in the consolidated financial statements	**8,158**	8,395
Revenue	**2,906**	12,056
Loss and total comprehensive income for the year	**(430)**	(52)

16. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Listed equity investments, at fair value	**201,131**	–

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB23,999,000 (2016: Nil), none of which was reclassified from other comprehensive income to the statement of profit or loss during the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and had no fixed maturity date or coupon rate.

As at 31 March 2017, the Group's listed equity investments with a carrying value of RMB201,131,000 were pledged as security for the Group's bank loans, as further detailed in note 27 to the consolidated financial statements.

17. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance and fair value change of investment properties RMB'000	Revaluation of properties under development and completed properties held for sale RMB'000	Prepaid tax RMB'000	Total RMB'000
At 1 April 2016 (Restated)	**84,518**	**205,946**	**20,080**	**310,544**
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	**8,153**	**–**	**(15,555)**	**(7,402)**
Exchange realignment	**262**	**–**	**–**	**262**
At 31 March 2017	**92,933**	**205,946**	**4,525**	**303,404**
At 1 April 2015 (Restated)	4,080	–	–	4,080
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	5,249	–	(14,823)	(9,574)
Additions from the Acquisition *(note 33)*	75,015	205,946	34,903	315,864
Exchange realignment	174	–	–	174
At 31 March 2016 (Restated)	84,518	205,946	20,080	310,544

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17. DEFERRED TAX (continued)

Deferred tax assets

	Tax losses RMB'000	Deemed profit for pre-sales RMB'000	Other temporary difference RMB'000	Total RMB'000
At 1 April 2016 (Restated)	**20,958**	**42,190**	**536**	**63,684**
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	**12,302**	**(15,723)**	**4,139**	**718**
At 31 March 2017	**33,260**	**26,467**	**4,675**	**64,402**
At 1 April 2015 (Restated)	–	–	–	–
Deferred tax (charged)/credited to profit or loss during the year *(note 10)*	(6,390)	1,951	536	(3,903)
Additions from the Acquisition *(note 33)*	26,780	36,837	–	63,617
Acquisition of a subsidiary	568	3,402	–	3,970
At 31 March 2016 (Restated)	20,958	42,190	536	63,684

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

	2017 RMB'000	2016 RMB'000 (Restated)
Tax losses	**273,848**	194,570
Deductible temporary differences	**11,805**	9,881
	285,653	204,451

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose except for tax losses of RMB32,000 (2016: RMB355,000) that related to subsidiaries operating in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of five years from the year in which the losses were incurred. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

18. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2017 RMB'000	2016 RMB'000 (Restated)
Properties under development	**2,275,339**	1,895,106
Completed properties held for sale	**843,146**	1,236,760
	3,118,485	3,131,866

Properties under development	2017 RMB'000	2016 RMB'000 (Restated)
Properties under development expected to be completed within normal operating cycle and classified as current assets are expected to be recoverable:		
Within one year	**588,111**	455,309
After one year	**1,687,228**	1,439,797
	2,275,339	1,895,106

Completed properties held for sale	2017 RMB'000	2016 RMB'000 (Restated)
Carrying amount at 1 April	**1,244,511**	–
Additions from the Acquisition	**–**	1,535,177
Transfer from properties under development	**319,980**	–
Transfer to cost of properties sold	**(713,594)**	(290,666)
	850,897	1,244,511
Write-down of properties under development to net realisable value	**(7,751)**	(7,751)
Carrying amount at 31 March	**843,146**	1,236,760

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18. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (continued)

The Group's properties under development and completed properties held for sale situated in the PRC are stated at cost and held on leases of between 40 and 70 years.

At 31 March 2017, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amounts of RMB453,882,000 and RMB513,991,000 (2016: RMB501,410,000 and RMB920,289,000) respectively, were pledged to banks to secure certain of the bank loans granted to the Group.

19. INVENTORIES

	2017 RMB'000	2016 RMB'000 (Restated)
Finished goods	**36,758**	29,392

20. TRADE AND OTHER RECEIVABLES

		2017 RMB'000	2016 RMB'000 (Restated)
Trade receivables	(a)	**51,083**	52,383
Other receivables:			
Land development expenditure	(b)	**372,375**	314,757
Amounts due from related companies	(c)	**–**	127,091
Deposits for property development		**26,613**	7,726
Deposits for pre-sale of properties	(d)	**27,766**	7,315
Prepaid business tax and other taxes		**34,524**	66,781
Other receivables, prepayments and deposits	(e)	**156,580**	142,597
		617,858	666,267
		668,941	718,650

20. TRADE AND OTHER RECEIVABLES (continued)

(a) The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 60 days, with certain few customers being offered a period of 90 days. The carrying amounts of the receivables due approximate to their fair values. Trade receivables are non-interest-bearing.

The aged analysis of the trade receivables (net of allowance for doubtful debts) by invoice date as at the end of the reporting period is as follows:

	2017	2016
	RMB'000	RMB'000
		(Restated)
Within 1 month	**23,739**	35,532
1 to 2 months	**14,814**	12,446
2 to 3 months	**2,588**	1,880
Over 3 months	**9,942**	2,525
	51,083	52,383

Included in the Group's trade receivable balances were debtors with a carrying amount of RMB9,942,000 (2016: RMB2,525,000) which were past due at the end of the reporting period for which the Group has not made provision for impairment. These receivables relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. These receivables are 0-30 days past due but not impaired.

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

	2017	2016
	RMB'000	RMB'000
		(Restated)
Neither past due nor impaired	**41,141**	47,103
Less than 1 month past due	**9,437**	4,741
Over 3 months past due	**505**	539
	51,083	52,383

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20. TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

Receivables that were past due but not impaired mainly related to receivables from a number of independent customers which have a long business relationship with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the individual debtors and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

(b) The balances represented monies advanced to the local government for land development works at a land site. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development irrespective of whether the Group will obtain the land use rights of the land in the future. The entire amount of land development expenditure as at 31 March 2017 is expected to be recovered within one year.

20. TRADE AND OTHER RECEIVABLES (continued)

(c) Particulars of the amounts due from related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (disclosure of information about Benefits of Directors) Regulation, are as follows:

	31 March 2017 RMB'000	**Maximum outstanding during the year RMB'000**	31 March 2016 RMB'000 (Restated)	Maximum outstanding during the year RMB'000
Name				
Ground International Holding (Group) Limited	–	**127,026**	127,026	127,026
Jilin Guangze Dairy Products Company Limited	–	**65**	65	65
	–		127,091	

The above related companies are controlled by Ms. Chai and Mr. Cui, the spouse of Ms. Chai, and the parent of Ms. Cui.

As at 31 March 2016, the balances with the related companies were unsecured, interest-free and repayable on demand.

(d) In accordance with relevant documents issued by the PRC Provincial State-owned Land and Resource Bureau, the Group is required to place certain of the proceeds received from the pre-sale of properties as guarantee deposits for the construction of the properties. The restriction will be released upon the construction is completed. The deposits earn interest at floating daily bank deposit rates.

(e) Included in the other receivables, prepayments and deposits, there were deposits for the acquisition of Jilin Zhongye Business Information Advisory Company Limited* (吉林省中業商務信息諮詢有限公司) ("JL Zhongye") and Jilin Fengrun Business Information Advisory Company Limited* (吉林灃潤商務信息諮詢有限公司) ("JL Fengrun") of RMB45 million as at 31 March 2017. The acquisition has been completed in May 2017.

Notes to the Consolidated Financial Statements

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21. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 RMB'000	2016 RMB'000
Early redemption right features of the Convertible Bonds	**46,549**	–

(1) On 27 July 2016, the Company issued an aggregate principal amount of HK$500 million (equivalent to approximately RMB430 million on the issue date) convertible bonds which are due on 26 July 2021 (the "CBs due in 2021") as part of the considerations in respect of the Acquisition. The CBs due in 2021 are convertible into the Company's ordinary shares of HK$0.05 each at an initial conversion price of HK$0.85 per share subject to adjustments. The interest rate is 2% per annum payable semi-annually in arrears each year before the maturity date.

The conversion rights are exercisable at any time from the date of issue of the CBs due in 2021 up to the maturity date of 27 July 2021, provided that any conversion does not result in the public float of the Company's shares being less than 25% (or any given percentage as required by the Listing Rules).

The CBs due in 2021 are not transferrable without the prior written consent of the Company.

The Company may at any time before the maturity date redeem the CBs due in 2021 (in whole or in part) at 100% of its principal amount.

On 29 March 2017, the CBs due in 2021 in the principal amount of HK$212.5 million (equivalent to approximately RMB188.2 million on the conversion date) were converted into 250 million shares of the Company at the conversion price of HK$0.85 per share.

The Company has not early redeemed any portion of the CBs due in 2021 during the year.

21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(2) On 2 December 2016, the Company issued an aggregate principal amount of HK$40 million (equivalent to approximately RMB36 million on the issue date) convertible bonds which are due on 1 December 2018 (the "CBs due in 2018") to an independent third party. The CBs due in 2018 are convertible into the Company's ordinary shares of HK$0.05 each at an initial conversion price of HK$1.00 per share subject to adjustments. The interest rate is 8% per annum payable on the maturity date or the date on which early redemption of the CBs due in 2018 is made by the Company.

The conversion rights are exercisable at any time from the date of issue of the CBs due in 2018 up to the trading day immediately before the maturity date of 1 December 2018, provided that any conversion (a) shall not render such bondholder (together with its associates and the parties acting in concert with it) to hold or control 10% or more of the entire issued share capital of the Company immediately after the allotment and issue of the relevant ordinary shares upon the conversion; (b) will not cause the public float of the Company becoming unable to meet the requirement under the Listing Rules; and (c) shall not trigger a mandatory offer obligation under Rule 26 of the Code on Takeovers and Mergers on the part of the bondholder which exercised the conversion right and party(ies) acting in concert with it.

The CBs due in 2018 may be transferrable to any persons provided that the CBs due in 2018 may not be transferred to any connected person of the Company except with the prior approval of the Company.

The Company may at any time before the maturity date redeem the CBs due in 2018 (in whole or in part) at 100% of its principal amount. The holder of the CBs due in 2018 does not have such early redemption right.

The Company has not early redeemed any portion of the CBs due in 2018 during the year.

The CBs due in 2021 and the CBs due in 2018 are collectively referred to as the "Convertible Bonds".

The Company's early redemption right attaching to the Convertible Bonds are considered not closely related to the liability component of the Convertible Bonds; and therefore, these embedded features have been accounted for separately and classified as derivative financial instruments according to HKAS 39 *Financial Instruments: Recognition and Measurement.*

On the basis that the conversion options of the Convertible Bonds will be settled by the exchange of a fixed amount or fixed number of equity instruments, the Convertible Bonds are accounted for as compound instruments according to HKAS 32 *Financial Instruments: Presentation.* The deemed proceeds, after the fair value of the early redemption right features are bifurcated, have been split into between a liability component and an equity component. The residual amount, representing the value of the equity component, is credited to "Equity component of the Convertible Bonds" in the Group's equity attributable to the Company's shareholders.

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21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

After initial recognition, the Company's early redemption right features classified as derivative financial instruments are remeasured to their fair value at each period end using the binomial pricing model. The liability component of the Convertible Bonds are subsequently carried at amortised cost.

At the date of conversion, the carrying values of the liability component of the Convertible Bonds and of the early redemption right features are transferred to equity.

The Convertible Bonds recognised in the consolidated statement of financial position are calculated as follows:

	CBs due in 2021 RMB'000	CBs due in 2018 RMB'000	Total RMB'000
On the issue dates upon initial recognition:			
Fair value of the Company's early redemption right features	(98,365)	(4,229)	(102,594)
Liability component of the Convertible Bonds	287,851	23,578	311,429
Equity component of the Convertible Bonds	240,815	16,346	257,161
Nominal value of the Convertible Bonds issued	430,301	35,695	465,996

The movement in the Company's early redemption right features classified as derivative financial instruments measured at fair value are as follows:

	RMB'000
At 1 April 2016, 31 March 2016 and 1 April 2015	–
Additions upon issue	102,594
Fair value change of derivative financial instruments	(25,488)
Transfer to equity upon conversion	(32,177)
Exchange realignment	1,620
At 31 March 2017	46,549

22. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Cash and bank balances		**464,364**	115,298
Less: Pledged bank acceptance bills deposits		**(11,300)**	–
Pledged bank deposits	27(v)	**(18,859)**	(18,800)
Restricted bank deposits	(a)	**(16,439)**	(11,500)
Cash and cash equivalents		**417,766**	84,998

(a) In accordance with relevant documents issued by the PRC Provincial State-owned Land and Resource Bureau, the Group is required to place certain of the proceeds received from the pre-sale of properties as guarantee deposits for the construction of the properties. The restriction will be released upon the construction is completed. Restricted cash deposits earn interest at floating daily bank deposit rates.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to RMB271,964,000 (2016: RMB109,103,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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23. TRADE AND OTHER PAYABLES

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Trade and bills payables	(a)	**74,303**	79,123
Accrued construction costs		**685,051**	417,410
Amounts due to related companies	(b)	**134,580**	582,251
Interest payable		**22,299**	43,742
Amount due to a joint venture	(b)	**14,000**	7,000
Deposits received from the government	(c)	**2,189**	73,185
Receipt in advance from management services		**8,290**	5,685
Consideration payable on purchase of net assets of Wan Sheng in prior year		**–**	150,000
Other creditors and accruals		**260,168**	120,418
Other deposits received		**31,940**	12,584
		1,232,820	1,491,398

(a) An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 1 month	**19,674**	22,500
1 to 2 months	**3,762**	5,812
2 to 3 months	**7,653**	4,132
Over 3 months	**43,214**	46,679
	74,303	79,123

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

(b) At 31 March 2017 and 2016, the amounts due to related companies and a joint venture are unsecured, interest-free and had no fixed terms of repayment.

23. TRADE AND OTHER PAYABLES (continued)

(c) The amount represented the deposits received from the government as the Group is responsible for the construction of commodity housing which includes but is not limited to the removal of the existing buildings situated on the land, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. The amount is unsecured and interest free and the remaining amount will be refunded to the government after the construction is completed.

24. DEPOSITS FROM SALES OF PROPERTIES

Deposits from sales of properties represent sales proceeds received from buyers in connection with the Group's pre-sale of properties.

25. DEFERRED INCOME

	2017 **RMB'000**	2016 RMB'000 (Restated)
At the beginning of the year	**25,543**	–
Arising from the Acquisition *(note 33)*	**–**	40,819
Recognised as income during the year	**(25,543)**	(15,276)
At the end of the year	**–**	25,543

Deferred income represented government grants received by the Group as financial subsidies for the contribution to the development of Baishan, Jilin Province, which are to be recognised as income over the years necessary to match the grants on a systematic basis to the costs that they are intended to compensate.

26. LOANS FROM CONTROLLING SHAREHOLDER

Loans from controlling shareholder are unsecured, interest-free and repayable on demand.

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27. BANK AND OTHER BORROWINGS

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Current			
Bank loans – unsecured	(i)	**96,000**	40,000
Bank loans – secured	(ii)	**269,342**	464,386
Other loans – unsecured	(iii)	**24,690**	44,470
Other loans – secured	(iv)	**88,545**	110,000
Entrusted loan	(v)	**18,200**	18,200
		496,777	677,056
Non-current			
Bank loans – unsecured	(i)	**220,000**	–
Bank loans – secured	(ii)	**250,970**	141,793
Other loans – secured	(iv)	**–**	170,000
		470,970	311,793
		967,747	988,849

27. BANK AND OTHER BORROWINGS (continued)

	2017 RMB'000	2016 RMB'000 (Restated)
Analysed into:		
Bank loans repayable and entrusted loan payable:		
Within one year or on demand	**383,542**	522,586
In the second year	**268,342**	46,694
In the third to fifth years, inclusive	**202,628**	95,099
	854,512	664,379
Other borrowings repayable:		
Within one year	**113,235**	154,470
In the second year	**–**	120,000
In the third to fifth years, inclusive	**–**	50,000
	113,235	324,470
	967,747	988,849

Notes:

(i) The unsecured bank loans of RMB235,000,000 (2016: Nil) and RMB1,000,000 (2016: Nil) bear fixed interest rates of 6.65% per annum and 5.66% per annum respectively, and bank loans of RMB80,000,000 (2016: RMB40,000,000) bear interest at floating rate ranging from 7.83% per annum to 8.265% per annum. The loan of RMB235,000,000 was guaranteed by independent third party guarantee companies where the Company provided a counter-guarantee in favour of the independent third parties for its obligations to guarantee the payment obligations. Details of the counter guarantee was set out in the Company's announcement dated 30 September 2016.

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27. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(ii) Included in the secured bank loans are loan balances of RMB179,000,000 (2016: RMB449,349,000) and HK$216,000,000 (equivalent to approximately RMB191,312,000) (2016: HK$188,000,000 (equivalent to approximately RMB156,830,000)) bearing interest at floating rate at 7.125% per annum and at HIBOR plus margins ranging from 2.75% per annum to 3.3% per annum respectively. A secured bank loan of RMB150,000,000 (2016: Nil) bears a fixed interest rate of 5.39% per annum.

These bank loans are secured by pledges of the properties under development and the completed properties held for sale with carrying values of RMB453,882,000 (2016: RMB501,410,000), RMB513,991,000 (2016: RMB920,289,000) and investment properties with fair value of RMB301,138,000 (2016: RMB283,628,000), respectively.

(iii) The unsecured other loans of RMB24,690,000 (2016: RMB32,070,000) is from Wan Sheng, a wholly-owned subsidiary of the Group, which entered into borrowing arrangements with twenty nine individual third parties in prior years. All the borrowings were unsecured, bore fixed interest rates ranging from 15% to 42% per annum and were repayable within one year or on demand. Pursuant to the supplemental agreements entered into with the remaining twenty individual third parties in 2014, these borrowing arrangements became interest free effective from 30 September 2014 and repayable on demand.

At 31 March 2016, the other unsecured loan of RMB12,400,000 bore an interest at a fixed rate of 10% per annum.

(iv) A loan of HK$99,972,000 (equivalent to approximately RMB88,545,000) (2016: Nil) bears a fixed interest rate of 6.50% per annum and is secured by the Group's available-for-sale investments.

At 31 March 2016, the other secured loan of RMB280,000,000 was secured by the land use rights of the Group at a carrying value of RMB920,289,000 and bore interest at a fixed rate of 11% per annum.

(v) At 31 March 2016 and 2017, the entrusted receipt loan of RMB18,200,000 was pledged by a bank deposit of RMB18,859,000 (2016: RMB18,800,000) made with a bank in the PRC. This loan bore an interest at a fixed rate of 1.55% per annum.

Assets that have been pledged as collateral to secure bank and other borrowing are as follows:

	Notes	2017 RMB'000	2016 RMB'000
Pledged bank deposits	22	**18,859**	18,800
Investment properties	14	**301,138**	283,628
Properties under development	18	**453,882**	501,410
Completed properties held for sale	18	**513,991**	920,289
Available-for-sale investments	16	**201,131**	–
Total		**1,489,001**	1,724,127

28. CONVERTIBLE BONDS

Details of the terms and accounting treatment of the Convertible Bonds are set out in Note 21 to the consolidated financial statements.

The liability component of the Convertible Bonds recognised in the consolidated statement of financial position is calculated as follows:

	RMB'000
At 1 April 2016, 31 March 2016 and 1 April 2015	–
Additions upon issue *(note 21)*	311,429
Accrued effective interest	23,596
Accrued coupon interest transferred to interest payable	(4,337)
Transfer to equity upon conversion	(133,569)
Exchange realignment	8,985
At 31 March 2017	206,104

The imputed finance cost on the liability component of the Convertible Bonds is calculated using the effective interest method by applying effective interest rates per annum. The effective interest rate of the CBs due in 2021 is 10.73%, and the effective interest rate of the CBs due in 2018 is 32.52%.

The movement of the equity component of the Convertible Bonds in the consolidated statement of financial position is as follows:

	RMB'000
At 1 April 2016, 31 March 2016 and 1 April 2015	–
Additions upon issue *(note 21)*	257,161
Transfer to equity upon conversion	(105,616)
At 31 March 2017	151,545

As at 31 March 2017, the remaining principal amounts of the CBs due in 2021 and the CBs due in 2018 were approximately HK$287,500,000 (equivalent to RMB255,320,000) and HK$40,000,000 (equivalent to RMB35,523,000) respectively. Should the conversion rights attaching to the Convertible Bonds be exercised in full, an additional 378,235,294 ordinary shares would have been allotted and issued, which represent approximately 11.6% of the issued share capital of the Company at 31 March 2017.

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29. SHARE CAPITAL

	Number of ordinary shares	Nominal value	
	'000	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.05 each	15,600,000	780,000	684,000
Issued:			
At 31 March 2016	858,450	42,923	36,575
At 31 March 2017	3,252,650	162,633	141,047

Following the passing of the resolutions by the shareholders of the Company at the special general meeting held on 25 July 2016, the authorised share capital of the Company includes 4,539,352,941 convertible preference shares of HK$0.05 each. Details of the convertible preference shares are set out in note 30.

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

	Number of shares in issue	Issued capital
	'000	RMB'000
At 31 March 2016 and 1 April 2016 and 2015	858,450	36,575
Issuance of ordinary shares arising from the Acquisition (a)	343,000	14,759
The share subscriptions under general and specific mandates (b)	300,000	13,051
The conversion of convertible preference shares (c)	1,500,000	65,508
The conversion of the Convertible Bonds (d)	250,000	11,101
The exercise of share options (e)	1,200	53
At 31 March 2017	3,252,650	141,047

Notes:

(a) As set out in notes 2.1 and 33, the Group completed the Acquisition on 27 July 2016. As part of the considerations in respect of the Acquisition, 343,000,000 new ordinary shares of the Company were allotted and issued to Ka Yik, a company wholly-owned by the controlling shareholder of the Company, at an issue price of HK$0.85 per consideration share. Further details of the issue of the consideration shares and the Acquisition were set out in the Company's circular dated 30 June 2016.

29. SHARE CAPITAL (continued)

Notes: (continued)

(b) Pursuant to seven separate subscription agreements entered into between the Company and seven independent third parties (the "Subscribers") respectively dated 5 August 2016 (as amended and supplemented by seven supplemental agreements dated 19 August 2016), 170,000,000 new ordinary shares of the Company (represented aggregate nominal value of HK$8,500,000) were allotted and issued to the Subscribers under general mandate on 13 September 2016 at a subscription price of HK$1.01 per subscription share for a total cash consideration of HK$171.7 million (equivalent to approximately RMB147.8 million). Further details of the issuance of the subscription shares were set out in the Company's announcements dated 5 August 2016, 11 August 2016 and 19 August 2016.

On 3 November 2016, 130,000,000 new ordinary shares of the Company were allotted and issued to the Subscribers under the specific mandate granted to the directors of the Company by the shareholders at the special general meeting of the Company held on 31 October 2016 at a subscription price of HK$1.00 per subscription share for a total cash consideration of HK$130 million (equivalent to approximately RMB114.7 million) pursuant to seven separate subscription agreements dated 5 August 2016 and entered into between the Company and the Subscribers respectively. Further details of the issuance of the subscription shares were set out in the Company's circular dated 14 October 2016.

(c) During the year, an aggregate of 1,500,000,000 new ordinary shares of the Company were allotted and issued upon the conversion of 1,500,000,000 non-redeemable convertible preference shares.

(d) On 29 March 2017, 250,000,000 new ordinary shares of the Company were allotted and issued upon the conversion of the CBs due in 2021, with a principal amount of HK$212.5 million (equivalent to approximately RMB188.7 million), at the conversion price of HK$0.85 per conversion share.

(e) 1,200,000 new ordinary shares of the Company were allotted and issued, upon the exercises of the Company's share options. Details of the Company's share option scheme and the share options issued under the scheme are set out in note 31 to the consolidated financial statements.

30. CONVERTIBLE PREFERENCE SHARES

On 27 July 2016, the Company issued 4,539,352,941 non-redeemable convertible preference shares (the "CPS") at an issue price of HK$0.85 per share to Ka Yik, for an aggregate consideration of HK$3,858,450,000 (RMB3,320,582,000) for satisfaction of part of the considerations in respect of the Acquisition.

Key terms of the CPS are as follows:

(1) The CPS shall not confer on the holder(s) thereof the right to receive notices of, or to attend and vote, at the general meetings of the Company, unless a resolution is to be proposed at the general meeting which, if passed, would vary or abrogate the rights or privileges of holders of the CPS.

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30. CONVERTIBLE PREFERENCE SHARES (continued)

Key terms of the CPS are as follows: (continued)

(2) Holder(s) of the CPS have the right to convert each CPS, during the conversion period, into ordinary share(s) of the Company at the CPS conversion price. The holder(s) may exercise the conversion right, provided that any conversion of the CPS does not result in (i) the CPS conversion shares being issued at a price below their nominal value as at the conversion date; or (ii) if immediately after such conversion, the public float of the shares being less than 25% (or any given percentage as required by the Listing Rules). The ordinary shares of the Company when allotted and issued upon the exercise of the conversion right of the CPS shall rank equally among themselves and pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment and issuance.

(3) The CPS are non-redeemable by the Company or the holder(s) of the CPS.

(4) The CPS are transferrable subject to the conditions stated in the terms of the CPS and in accordance with the provision as set out in the Company's bye-laws.

(5) CPS shall confer on the CPS holder(s) the right to be paid, in priority to the ordinary shares of the Company in respect of any return of assets, pari passu as between themselves an amount equal to the aggregate notional value of the CPS plus all dividends accrued and unpaid with respect thereto, whereupon if the assets of the Company available for distribution shall be insufficient to provide for full payment to holder(s) of the CPS, the Company shall make payment on the CPS on a pro rata basis on return of capital on liquidation, winding-up or dissolution of the Company. The CPS do not confer on the holder(s) of the CPS any further or other right to participate in the assets of the Company upon liquidation, winding up or dissolution of the Company.

Subject to compliance with all applicable laws and the articles of association of the Company, each CPS shall confer on its holder the right to receive an accrued and cumulative fixed dividend commencing from the date of the issue of the CPS on a yearly basis at a rate of 0.2% of the nominal value of HK$0.05 of each CPS outstanding in priority to any dividend in respect of any other class of shares in the capital of the Company, payable annually in arrears. The CPS holder(s) has unconditionally and irrevocably waived the receipt of such preferred dividend.

30. CONVERTIBLE PREFERENCE SHARES (continued)

The CPS are classified as equity instruments in the Group's consolidated financial statements with the following considerations:

(a) The CPS holder(s) has unconditionally and irrevocably waived its right to receive the preferred distribution; and as such, the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPS. Therefore, there is not a liability component of the CPS.

(b) The conversion options of the CPS will be settled by the exchange of a fixed amount or fixed number of equity instruments.

During the year ended 31 March 2017, 1.5 billion shares of CPS were converted into ordinary shares of the Company. Should the conversion rights attaching to the CPS be exercised in full, an additional 3,039,352,941 ordinary shares would have been allotted and issued, which represented approximately 93.4% of the issued share capital of the Company as at 31 March 2017.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The summary of the Scheme's key terms is as follows:

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

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31. SHARE OPTION SCHEME (continued)

The summary of the Scheme's key terms is as follows: (continued)

(2)	Participants	Share options may be granted to the participants, being: (a) any person being an employee (including any executive director), officer (including any non-executive director and independent non-executive director), substantial shareholder, consultant, agent, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the above mentioned category(ies) of persons, or any company beneficially owned by any of the above mentioned category(ies) of persons; or (b) any other person who the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group or Invested Entity based on his performance and/or years of service, or is regarded as valuable resources of the Group or the Invested Entity based on his work experience, knowledge in the industry and other relevant factors, or is expected to be able to contribute to the prosperity, business development or growth of the Group or the Invested Entity based on his/its business connection or network or other relevant factors.
(3)	Total number of shares available for issue	137,145,000 shares, being 10% of the total number of shares in issue as at the date of refreshment of the scheme mandate limit on 14 September 2016 and being 3.27% of the total number of shares in issue as at the date of this annual report.

31. SHARE OPTION SCHEME (continued)

The summary of the Scheme's key terms is as follows: (continued)

(4)	Maximum entitlement of each participant	In any 12-month period: (a) for each grantee, not exceeding 1% of the aggregate number of shares for the time being in issue (including exercised, cancelled and outstanding options); (b) for substantial shareholders and independent non-executive directors, not over 0.1% of the number of shares then in issue and not having an aggregate value in excess of HK$5 million (including options exercised, cancelled and outstanding); unless separately approved by independent shareholders at general meetings.
(5)	Option period	A 10 years period commencing from the date as specified in the grant letter and expiring on the earliest of the last day of the said period or such time as specified in the Share Option Scheme and/or the grant letter.
(6)	Minimum period for which an option must be held before it can vest	No minimum period before the options can be exercised unless otherwise imposed by the Board at its absolute discretion.
(7)	Payment on acceptance of option	HK$1.00 in cash to be payable on acceptance within 21 days from the date of grant.
(8)	Subscription price	To be determined by the Board and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (c) the nominal value of the shares.
(9)	Life	A period of 10 years commencing on 5 September 2012 (being the date on which the Scheme is adopted) and expiring on the tenth anniversary of such date, i.e, 5 September 2022.

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31. SHARE OPTION SCHEME (continued)

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

Grantees	Number of share options: As at 1 April 2016	Reclassified during the year (Note 1)	Granted during the year (Note 2)	Exercised during the year	Cancelled/ lapsed during the year	As at 31 March 2017	Date of grant	Exercise period (Note 3)	Exercise price per share option HK$
Directors/chief Executive:									
Ms. Chai Xiu	850,000	–	–	–	–	850,000	19/06/2014	19/06/2014 - 18/06/2024	0.980
Mr. Wang Guanghui	3,000,000	–	–	–	–	3,000,000	24/10/2014	24/10/2015 - 23/10/2024	1.200
	–	–	8,000,000	–	–	8,000,000	18/04/2016	18/04/2016 - 17/04/2026	0.980
Mr. Huang Bingxing	8,000,000	–	–	–	–	8,000,000	24/10/2014	24/10/2015 - 23/10/2024	1.200
Mr. Chan Yuk Tong	850,000	–	–	–	–	850,000	19/06/2014	19/06/2014 - 18/06/2024	0.980
Mr. Mei Jianping	850,000	–	–	–	–	850,000	19/06/2014	19/06/2014 - 18/06/2024	0.980
Sub-total	13,550,000	–	8,000,000	–	–	21,550,000			
Employees	1,300,000	30,000,000	–	(300,000) (Note 4)	(1,000,000)	30,000,000	19/06/2014	19/06/2014 - 18/06/2024	0.980
	12,400,000	(2,400,000)	–	–	(2,000,000)	8,000,000	24/10/2014	24/10/2015 - 23/10/2024	1.200
	–	–	4,500,000	(900,000) (Note 5)	(160,000)	3,440,000	18/04/2016	18/04/2016 - 17/04/2026	0.980
Others	36,000,000	(30,000,000)	–	–	–	6,000,000	19/06/2014	19/06/2014 - 18/06/2024	0.980
	–	2,400,000	–	–	–	2,400,000	24/10/2014	24/10/2015 - 23/10/2024	1.200
	–	–	8,000,000	–	–	8,000,000	18/04/2016	18/04/2016 - 17/04/2026	0.980
Sub-total	49,700,000	–	12,500,000	(1,200,000)	(3,160,000)	57,840,000			
Total	63,250,000	–	20,500,000	(1,200,000)	(3,160,000)	79,390,000			

31. SHARE OPTION SCHEME (continued)

Notes:

1. Capacities of certain grantees reclassified due to the change of their identifications with the Group during the financial year.

2. The closing price of the Shares immediately before the date on which the options were granted during the financial year was HK$0.830 per share.

3. For the share options granted on 19 June 2014, 100% of the share options became exercisable from 19 June 2014.

   For the share options granted on 24 October 2014, 50% of the share options became exercisable from 24 October 2015, and the remaining 50% of the share options became exercisable from 24 October 2016.

   For the share options granted on 18 April 2016, 30% of the share options became exercisable from 18 April 2016, 30% of the share options became exercisable from 18 April 2017 and the remaining 40% of the share options will become exercisable commencing from 18 April 2018.

4. The annual weighted average closing price of the Shares immediately before the date on which the options were exercised during the financial year is HK$1.8.

5. The annual weighted average closing price of the Shares immediately before the date on which the options were exercised during the financial year is HK$2.04.

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31. SHARE OPTION SCHEME (continued)

In respect of share options of the Company granted to the directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 March 2017 and 2016, estimated in accordance with the Group's accounting policy in note 2.4, was as follows:

	2017 RMB'000	2016 RMB'000
Huang Bingxing	386	1,354
Wang Guanghui	2,007	508
	2,393	1,862

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

	2017		2016	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
Outstanding at 1 April*	1.0614	63,250	1.0692	77,800
Granted during the year**	0.9800	20,500	–	–
Exercised during the year	0.9800	(1,200)	–	–
Forfeited during the year	1.1192	(3,160)	1.0790	(14,550)
Outstanding at 31 March	1.0393	79,390	1.0614	63,250
Exercisable at 31 March	1.0523	65,152	1.0299	51,550

31. SHARE OPTION SCHEME (continued)

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

2017 **Number of options**	**Exercise price** **HK$** **per share**	**Exercise period**
38,550,000	**0.98**	**19/06/2014 – 18/06/2024**
10,700,000	**1.20**	**24/10/2015 – 23/10/2024**
10,700,000	**1.20**	**24/10/2016 – 23/10/2024**
5,202,000	**0.98**	**18/4/2016 – 17/4/2026**
6,102,000	**0.98**	**18/4/2017 – 17/4/2026**
8,136,000	**0.98**	**18/4/2018 – 17/4/2026**
79,390,000		

2016 Number of options	Exercise price HK$ per share	Exercise period
39,850,000	0.98	19/06/2014 – 18/06/2024
11,700,000	1.20	24/10/2015 – 23/10/2024
11,700,000	1.20	24/10/2016 – 23/10/2024
63,250,000		

The fair value of the share options granted during the year was RMB6,008,000 (RMB0.28 each on average) (2016: No share options were granted), of which the Group recognised as share option expense of RMB5,285,000 (2016: Nil) during the year ended 31 March 2017. The remaining share option expenses of RMB930,000 (2016: RMB4,730,000) was related to the share options granted in prior year and vested during the year.

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31. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2017
Dividend yield (%)	0%
Expected volatility (%)	57.34%
Risk-free interest rate (%)	1.26%
Expected life of share options (year)	10
Weighted average share price (HK$)	0.98

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 1,200,000 share options exercised during the year resulted in the issue of 1,200,000 ordinary shares of the Company and new share capital of RMB53,190 (before issue expenses), as further detailed in note 29 to the consolidated financial statements.

At the end of the reporting period, the Company had 79,390,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 79,390,000 additional ordinary shares of the Company and additional share capital of RMB3,524,122 (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 79,390,000 share options outstanding under the Scheme, which represented approximately 1.89% of the Company's shares in issue as at that date.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 82 to 83 of the consolidated financial statements.

(i) Share premium

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

(ii) Exchange reserve

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

(iii) Contributed surplus

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

(iv) Share option reserve

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

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32. RESERVES (continued)

(v) Other reserves

		2017 RMB'000	2016 RMB'000 (Restated)
Merger reserve	(a)	**(3,316,856)**	292,739
Property revaluation reserve	(b)	**8,151**	8,151
Others		**4,692**	4,692
		(3,304,013)	305,582

(a) The merger reserve represents the difference in the fair value of the consideration paid to Ka Yun in respect of the acquisition and the carrying amount of the net assets of the Ka Yun Group at the date when the Ka Yun Group became under common control of the ultimate shareholder of the Company.

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

(vi) Statutory reserve

According to the PRC Company Law, each of the PRC subsidiaries of the Group is required to transfer 10% of its after tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the PRC subsidiaries, provided that such fund is maintained at a minimum level of 25% of the registered capital.

33. BUSINESS COMBINATION UNDER COMMON CONTROL

On 24 April 2015, Ms. Chai transferred her entire shareholding in Charm Success to Ms. Cui pursuant to a deed of gift, which the transfer was completed on the same date and Ms. Cui obtained the control of the Company on 24 April 2015.

Pursuant to the sale and purchase agreement (as amended by the supplemental agreements) dated 26 May 2015 entered into among Frontier Power, Ka Yik and Ms. Cui, Frontier Power agreed to acquire and Ka Yik agreed to sell the entire equity interest in Ka Yun at a consideration of HK$4,650 million.

The consideration with the amount of HK$4,650 million payable to Ka Yik is in the following forms:

(1) HK$500 million by the issuance of Convertible Bonds due in 2021 to Ka Yik on 27 July 2016;

(2) HK$3,858 million by the allotment and issuance of the convertible preference shares at the price of HK$0.85 per share to Ka Yik on 27 July 2016; and

(3) HK$292 million by the issuance of ordinary shares at HK$0.85 per share to Ka Yik on 27 July 2016.

The Acquisition was completed on 27 July 2016, from which the Group obtained the control of Ka Yun Group accordingly.

As the Company and Ka Yun have been under the common control of Ms. Cui before and after the Acquisition with such control not being transitory, the Group's obtaining of control over the Ka Yun Group pursuant to the Acquisition is considered as a business combination involving an entity under common control. Accordingly, the Group consolidated the Ka Yun Group starting from 24 April 2015 (the date when Ms. Cui had control of both the Company and the Ka Yun Group) with the assets and liabilities stated at historical amounts.

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33. BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

The book values of the identifiable assets and liabilities of the Ka Yun Group as at the establishment date of common control were as follows:

	Notes	Book value recognised on acquisition RMB'000
Property, plant and equipment	13	8,219
Investment properties	14	645,051
Goodwill		4,999
Deferred tax assets	17	63,617
Properties under development and completed properties held for sale		2,108,938
Prepaid income tax		10,301
Cash and bank balances		151,132
Trade and other receivables		1,060,687
Trade and other payables		(559,749)
Deposits from sales of properties		(1,130,239)
Deferred income	25	(40,819)
Loans from controlling shareholder		(744,939)
Bank and other borrowings		(452,400)
Deferred tax liabilities	17	(315,864)
Total identifiable net assets at book value		808,934
Non-controlling interests		(69,664)
		739,270

Details of the basis of preparation on the Acquisition are set out in note 2.1 to the consolidated financial statements headed under "Restatement of the consolidated financial statements for the year ended 31 March 2016 due to a business combination involving entities under common control".

34. CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of property units developed by the Group that provided guarantees to secure obligations of such purchasers for repayments. As at 31 March 2017, guarantees amounting to RMB971.0 million (2016: RMB676.1 million) were given to banks with respect to loans procured by the purchasers of property units. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate to the purchasers or (ii) the satisfaction of mortgage loans by the purchasers of properties.

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

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35. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

(a) Operating lease arrangements

As lessor

The Group leases its investment properties (note 14 to the consolidated financial statements) under operating lease arrangements, with the average lease term of three years and with options to renew the leases upon expiry at new terms. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 March 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	RMB'000	RMB'000
		(Restated)
Within one year	**23,717**	16,201
In the second to fifth years, inclusive	**38,998**	43,080
After fifth years	**67,282**	72,168
	129,997	131,449

As lessee

The Group leases certain of its properties under operating lease arrangements. The majority of these leases have non-cancellable lease terms ranging from one to three years and there are no restrictions placed upon the Group by entering into these lease agreements.

As at 31 March 2017, the Group had total future minimum lease payables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	RMB'000	RMB'000
		(Restated)
Within one year	**33,298**	33,687
In the second to fifth years, inclusive	**83,914**	110,740
	117,212	144,427

35. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS (continued)

(b) Commitments for development expenditure

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

	2017 **RMB'000**	2016 RMB'000 (Restated)
Contracted, but not provided for:		
– Properties under development	**805,981**	900,612

36. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with related parties during the year:

	2017 **RMB'000**	2016 RMB'000 (Restated)
Entities controlled by a close family member of a controlling shareholder of the Company:		
Rental expenses paid:		
– a motor vehicle	**187**	177
– office premises	**1,050**	1,050
Building management fees paid:		
– office premises	**60**	60
Interest on amount due to a related company	**3,056**	23,558
	4,353	24,845
A controlling shareholder of the Company:		
Coupon interest on CBs due in 2021	**4,337**	–

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36. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel

	2017 RMB'000	2016 RMB'000 (Restated)
Compensation for key management personnel, including the amounts paid to the Company's directors and certain of the highest paid employees, as disclosed in notes 8 and 9, is as follows:		
Fees	**625**	676
Other emoluments:		
Salaries, allowances and benefits in kind	**9,010**	7,252
Performance related bonuses	**2,190**	45
Equity-settled share option expense	**3,115**	1,997
Pension scheme contributions	**580**	377
	14,895	9,671
Total compensation paid to key management personnel	**15,520**	10,347

The related party transactions in respect of rental expenses paid on office premises above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules but were exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2017

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	201,131	201,131
Financial assets included in trade and other receivables	–	594,327	–	594,327
Derivative financial instruments	46,549	–	–	46,549
Pledged and restricted deposits	–	46,598	–	46,598
Cash and cash equivalents	–	417,766	–	417,766
	46,549	1,058,691	201,131	1,306,371

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade and other payables	1,232,820
Liability component of the Convertible Bonds	206,104
Loans from controlling shareholder	264,824
Bank and other borrowings	967,747
	2,671,495

Notes to the Consolidated Financial Statements

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37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2016

Financial assets

	Loans and receivables RMB'000
Financial assets included in trade and other receivables	642,849
Pledged and restricted deposits	30,300
Cash and cash equivalents	84,998
	758,147

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade and other payables	1,491,398
Loans from controlling shareholder	1,668
Bank and other borrowings	988,849
	2,481,915

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017 RMB'000	2016 RMB'000 (Restated)	**2017 RMB'000**	2016 RMB'000 (Restated)
Financial assets				
Available-for-sale investments	**201,131**	–	**201,131**	–
Derivative financial instruments	**46,549**	–	**46,549**	–
	247,680	–	**247,680**	–
Financial liabilities				
Loans from controlling shareholder	**264,824**	1,668	**264,824**	1,668
Bank and other borrowings	**967,747**	988,849	**1,052,333**	1,115,602
Liability component of the Convertible Bonds	**206,104**	–	**203,137**	–
	1,438,675	990,517	**1,520,294**	1,117,270

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

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The chief financial officer reports directly to the audit committee. At each reporting date, the finance manager analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the bank loans and the liability component of the Convertible Bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank loans and the Convertible Bonds as at 31 March 2017 was assessed to be insignificant.

Notes to the Consolidated Financial Statements

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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	201,131	–	–	201,131
Derivative financial instruments	–	–	46,549	46,549
	201,131	–	46,549	247,680

The movements in fair value measurements within Level 3 during the year are set out in note 21 to the consolidated financial statements.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2017 and 2016:

	Valuation techniques	Significant unobservable inputs	Range
Early redemption rights embedded in the Convertible Bonds	Binomial pricing model	Expected volatility	55.17%

The fair value of the conversion option embedded in convertible bonds is determined using the binomial pricing model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 March 2017, it was estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's profit by RMB126,347,000 and RMB96,241,000, respectively.

The Group did not have any financial instruments measured at fair value as of 31 March 2016.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

The movements in fair value measurements within level 3, which only comprises of the early redemptive rights embedded in the Convertible Bonds, during the year are set out in note 21 to the consolidated financial statement.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise the Convertible Bonds, bank loans, time deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, which arise directly from its operations.

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

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

Interest rate risk

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

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) after tax through the impact on bank loans with floating interest rates.

	Increase/(decrease) in basis points	Increase/(decrease) In profit/(loss) after tax RMB'000
2017		
Bank loans	**50**	**(225)**
Bank loans	**(50)**	**225**
2016 (Restated)		
Bank loans	50	(323)
Bank loans	(50)	323

Foreign currency risk

The Group's exposure to foreign currency risk mainly arise from the Group's debts denominated in HK$ which were borrowed by the Group with the functional currency of HK$, while the Group's presentation currency of the consolidated financial statements is RMB.

Since the Group mainly engages in property development and management, property investment, and the provision of telecommunications retail sales and management services in the PRC, transactional currency exposure arising from sales or purchases in currencies other RMB has an immaterial impact on the Group's profit after tax and equity.

The following table demonstrates the sensitivity as at 31 March 2017 to a reasonably possible change in the HK$ and RMB exchange rates, with all other variables held constant, of the Group's equity (due to translation of the operating results and financial position of each subsidiary with functional currencies other than RMB into the presentation currency of RMB used for the consolidated financial statements of the Group).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/(decrease) in HK$ rate %	Increase/(decrease) in profit/(loss) after tax RMB'000
2017		
RMB strengthens against HK$	**3**	**752**
RMB weakens against HK$	**(3)**	**(752)**
2016 (Restated)		
RMB strengthens against HK$	3	492
RMB weakens against HK$	(3)	(492)

* Excluding retained earnings

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to pledged bank deposits, bank balances and cash and trade and other receivables. Substantially all of the Group's pledged bank deposits and bank balances and cash were deposited in creditworthy global banks and stated-controlled financial institutions in the PRC, which management considers they are without significant credit risks. At the end of the reporting period, the Group has concentration of credit risk as the trade receivables from the five largest customers represented 94% (2016: 100%) of the total trade receivables, while 37% (2016: 81%) of the total trade receivables were due from the largest single customer.

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

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

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

	2017			
	Less than 3 months RMB'000	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Trade and other payables	**1,190,234**	**42,586**	**–**	**1,232,820**
Loans from controlling shareholder	**–**	**264,824**	**–**	**264,824**
Bank and other borrowings	**55,871**	**492,174**	**552,768**	**1,100,813**
Liability component of the Convertible Bonds	**–**	**2,553**	**274,895**	**277,448**
	1,246,105	**802,137**	**827,663**	**2,875,905**

	2016 (Restated)			
	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and other payables	1,441,904	49,494	–	1,491,398
Loans from controlling shareholder	–	1,668	–	1,668
Bank and other borrowings	316,764	448,641	405,137	1,170,542
	1,758,668	499,803	405,137	2,663,608

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 16) as at 31 March 2017. The Group's listed investments are listed on the Hong Kong stock exchanges and are valued at quoted market prices as at 31 March 2017.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 March 2017	High/low 2017
Hong Kong – Hang Seng Index	**24,112**	24,657/ 19,595

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts as at 31 March 2017. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

31 March 2017	**Carrying amount of equity investments** RMB'000	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in equity*** RMB'000
Investments listed in:			
Hong Kong – Available-for-sale investments	201,131	–	20,131/ (20,131)

* Excluding retained earnings

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31 March 2017

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and growth.

The Group regularly reviews and manages its capital structure and makes adjustments to it by taking into consideration changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes the Convertible Bonds, bank loans, long term payables, trade and other payables, less cash and cash equivalents and pledged and restricted deposits. The gearing ratios as at the end of the reporting periods were as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Loans from controlling shareholder	**264,824**	1,668
Bank and other borrowings	**967,747**	988,849
Trade and other payables	**1,232,820**	1,491,398
Less: Cash and cash equivalents	**(417,766)**	(84,998)
Pledged and restricted deposits	**(46,598)**	(30,300)
Net debt	**2,001,027**	2,366,617
Liability component of the Convertible Bonds	**206,104**	–
Equity	**1,716,797**	1,040,929
Adjusted capital	**1,922,901**	1,040,929
Capital and net debt	**3,923,928**	3,407,546
Gearing ratio	**51%**	69%

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 March 2017 RMB'000	31 March 2016 RMB'000 (Restated)	1 April 2015 RMB'000 (Restated)
NON-CURRENT ASSET			
Interests in subsidiaries	**5,174,787**	705,099	793,085
Total non-current asset	**5,174,787**	705,099	793,085
CURRENT ASSETS			
Other receivables	**617**	90	1,492
Derivative financial instruments	**46,549**	–	–
Cash and cash equivalents	**10,234**	2,442	31,966
Total current assets	**57,400**	2,532	33,458
CURRENT LIABILITIES			
Other payables	**8,692**	15,619	8,213
Bank and other borrowings	**90,342**	34,427	68,017
Total current liabilities	**99,034**	50,046	76,230
NET CURRENT LIABILITIES	**(41,634)**	(47,514)	(42,772)
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,133,153**	657,585	750,313
NON-CURRENT LIABILITIES			
Liability component of the Convertible Bonds	**206,104**	–	–
Bank and other borrowings	**100,970**	119,676	168,042
Total non-current liabilities	**307,074**	119,676	168,042
Net assets	**4,826,079**	537,909	582,271
EQUITY			
Shared capital	**141,047**	36,575	36,575
Convertible preference shares	**2,206,954**	–	–
Equity component of the Convertible Bonds	**151,545**	–	–
Reserves (Note)	**2,326,533**	501,334	545,696
TOTAL EQUITY	**4,826,079**	537,909	582,271

Approved and authorised for issue by the Board of Directors on 7 June 2017 and signed on its behalf by

Cui Xintong
Director

Wang Guanghui
Director

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

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 April 2015	256,769	(26,402)	184,684	20,221	63,676	46,748	545,696
Loss for the year	–	–	–	–	(63,282)	–	(63,282)
Other comprehensive income for the year:							
Exchange differences related to foreign operations	–	14,190	–	–	–	–	14,190
Total comprehensive income for the year	–	14,190	–	–	(63,282)	–	(49,092)
Equity-settled share option arrangements	–	–	–	4,730	–	–	4,730
Forfeiture of share options	–	–	–	(4,613)	4,613	–	–
At 31 March 2016 (Restated)	256,769	(12,212)	184,684	20,338	5,007	46,748	501,334

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

Note: (continued)

A summary of the Company's reserves is as follows: (continued)

	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Other reserves RMB'000	Total RMB'000
Balance At 1 April 2016 (Restated)	**256,769**	**(12,212)**	**184,684**	**20,338**	**5,007**	**46,748**	**501,334**
Loss for the year	–	–	–	–	(67,734)	–	(67,734)
Other comprehensive income for the year:							
Exchange differences related to foreign operations	–	157,521	–	–	–	–	157,521
Total comprehensive income for the year	–	157,521	–	–	(67,734)	–	89,787
Issuance of securities in respect of the Acquisition	236,149	–	–	–	–	–	236,149
Issuance of new shares under share subscriptions	249,435	–	–	–	–	–	249,435
Share issuing costs	(636)	–	–		–	–	(636)
Issuance of shares under share option scheme	1,356			(367)	–	–	989
Shares issued upon conversion of convertible preference shares and convertible bonds	1,243,260	–	–	–	–	–	1,243,260
Equity-settled share option arrangements	–	–	–	6,215	–	–	6,215
Forfeiture of share options	–	–	–	(917)	917	–	–
At 31 March 2017	**1,986,333**	**145,309**	**184,684**	**25,269**	**(61,810)**	**46,748**	**2,326,533**

Notes to the Consolidated Financial Statements

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41. EVENTS AFTER THE REPORTING PERIOD

The Group has the following events subsequent to the reporting period:

(a) On 27 April 2017, 338,351,000 new ordinary shares of the Company were allotted and issued to six subscribers under the specific mandate granted to the directors of the Company by the shareholders at the special general meeting of the Company held on 6 April 2017 at a subscription price of HK$1.20 per subscription share for a total cash consideration of HK$406,021,200 pursuant to six separate subscription agreements dated 9 January 2017 (as amended and supplemented by six supplemental agreements dated 10 March 2017) and entered into between the Company and each of the subscribers respectively. On 27 April 2017, one other subscriber entered into a deed of termination with the Company to terminate its subscription of shares and such subscription did not proceed. Further details of the allotment and issuance of the subscription shares were set out in the Company's announcements dated 9 January 2017, 10 March 2017, 6 April 2017 and 27 April 2017 and the Company's circular dated 20 March 2017.

(b) On 26 May 2017, 600,000,000 CPSs were converted into 600,000,000 ordinary shares of the Company by Ka Yik.

(c) In May 2017, the Group completed the acquisition of JL Zhongye and JL Fengrun. The main asset of JL Zhongye and JL Fengrun is an investment in a subsidiary which is a company established in the PRC and is principally engaged in provision of guarantee services in the PRC, which is in line with the Group's development strategies in micro-finance sector. The total consideration of RMB505.9 million has been settled. Further details of the acquisition were set out in the Company's announcement dated 28 March 2017.

(d) On 7 June 2017, the Board resolved to authorise the management of the Group to commence searches for and negotiations with potential purchasers for the disposal of its interests in members of the Group comprising the Telecommunication Business (as defined below). The Telecommunication Business involves the sales of headphones, mobile phones and telecommunications equipment, telecommunications call center service, telecommunications retail sales and management services, which were under the "Telecommunications retail sales and management services" segment. As 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*), the subsidiary of the Group, will not be likely to obtain a nationwide call center business operation permit issued by the China Ministry of Information Industry, it will not be eligible for future bids of call center service. In view of the above and taking into account that all businesses (including the telecommunications call center services) under the telecommunications retail sales and management services segment (the "**Telecommunication Business**") of the Group are operated under the same management team and are inter-dependent upon each other, as well as the diminishment of synergistic effect among each of the businesses within the Telecommunication Business following the cessation of operation of the Call Centre Business, the management of the Group has recently discussed certain strategic options to, among other things, discontinue the whole Telecommunication Business. It is expected that the proposed disposal will be completed within the next 12 months. The telecommunications retail sales and management services will be excluded in the operating segment information in the next financial statements upon completion of such proposed disposal. Further details were disclosed in the Company's announcements dated 5 May 2017 and 7 June 2017.

42. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated in the preparation of these consolidated financial statements as a result of the common control combination using merger accounting and the change in the Group's presentation currency (note 2.1) and changes in segment reporting (note 4) to the consolidated financial statements.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 7 June 2017.

Schedule of Principal Properties

Particulars of principal properties held by the Group at 31 March 2017 are as follows:

INVESTMENT PROPERTIES

	Address	Lot No.	Category of the lease	Use	Lease expiry	Percentage held by the Group
1.	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	Aggregate of 40,505/728,680th equal and undivided shares of and in New Kowloon Inland Lot No. 6115 The properties have a total of 40,505 sq.ft. and a total saleable area of approximately 30,522 sq.ft.	Medium-term lease	Commercial	2047	100%
2.	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	Aggregate of 14/728,680th equal and undivided shares in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	2047	100%
3.	Portion of Guangze International Shopping Centre, 135 Hunjiang Dajie, Hunjiang District, Jilin Province, PRC	N/A The properties have a total gross floor area of 60,672.33 sq.m.	Medium-term lease	Retail	2053	100%
4.	Car parking spaces of Guangze International Shopping Centre, 136 Hunjiang Dajie, Hunjiang District, Jilin Province, PRC	N/A The properties have a total gross floor area of 7,760.53 sq.m.	Medium-term lease	Car parks	2053	100%

Schedule of Principal Properties

PROPERTIES UNDER DEVELOPMENT

Address	Estimated gross floor area (sq. m)	Uses	Lease expiry	Stage of completion	Expected date of completion	Percentage held by the Group
1. Portion of Phase II of Wansheng • Qiancheng International*, (萬升 • 前城國際) Jiefang West Road, Chuanying District, Jilin, Jilin Province, PRC	27,057	Residential and commercial	Residential: 2081 Commercial: 2051	Construction in progress	2017	100%
2. Guangze Red House Phase II (廣澤紅府二期), West of Jindalai, North Street, South of Lihua Road, Xanxi Street, Yanji, Jilin Province, PRC	119,378	Residential	Residential: 2085 Commercial: 2055	Construction in progress	2018	100%
3. Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村), Guosong Village Donggang Town, Fusong County, Baishan, Jilin Province, PRC	539,646	Residential and commercial (including hotels)	Residential: 2082 Commercial: 2052	Construction in progress	By phases from 2017 to 2020	100%
4. Guangze China House Phase I (廣澤蘭亭一期), North of National Highway 201, Hunjiang District, Baishan, Jilin Province, PRC	128,736	Residential and commercial	Residential: 2084 Commercial: 2054	Construction in progress	2017	100%

Schedule of Principal Properties

COMPLETED PROPERTIES HELD FOR SALE

	Address	Approximate gross floor area (sq. m)	Uses	Lease expiry	Date of Completion	Percentage held by the Group
1.	Portion of Phases I and II of Wansheng • Qiancheng International*, (萬升 • 前城國際) Jiefang West Road, Chuanying District, Jilin, Jilin Province, PRC	28,629	Residential, commercial, office, storage and car parks	Residential: 2081 Commercial: 2051	2013	100%
2.	Portion of Guangze International Shopping Centre, 135 Hunjiang Dajie, Hunjiang District, Baishan, Jilin Province, PRC	21,944	Residential, retail and car parks	Residential: 2083 Commercial: 2053	2014	100%
3.	Porton of Guangze • Amethyst Amethyst City Phase I (廣澤 • 紫晶城一期), Jiefang West Road, Chuanying Distrist, Jilin, Jilin Province, PRC	3,030	Residential, commercial and car park	Residential: 2080 Commercial: 2050	2011	100%
4.	Portion of Guangze • Amethyst City Phase II and Relocated District (廣澤 • 紫晶城，二期和回遷區), Jiefang West Road, Chuanying District, Jilin, Jilin Province, PRC	40,431	Residential, commercial, storage and car parks	Residential: 2082 Commercial: 2052	2013	100%

Schedule of Principal Properties

COMPLETED PROPERTIES HELD FOR SALE (continued)

	Address	Approximate gross floor area (sq. m)	Uses	Lease expiry	Date of Completion	Percentage held by the Group
5.	Guangze Red House Phase I (廣澤紅府一期), South of Gongyuan Road, East of Jindalai North Street, Yanji, Jilin Province, PRC	21,003	Residential, commercial and car parks	Residential: 2084 Commercial: 2054	2016	100%
6.	Guangze • Tudors Palace (廣澤 • 瀾香), Jiefang West Road, Chuanying District, Jilin, Jilin Province, PRC	29,749	Residential	2082	2016	100%

Five-year Financial Summary

(Expressed in RMB million, unless otherwise stated)	Year ended 31 March 2017	2016 (Restated)	2015 (Restated)	2014 (Restated)	2013 (Restated)
Revenue	**1,225.5**	624.4[(4)(5)]	103.5[(4)]	44.3[(4)]	121.6[(1)(2)(4)]
Gross profit	**335.8**	155.0[(4)(5)]	44.7[(4)]	31.1[(4)]	55.4[(1)(2)(4)]
Profit (Loss) for the year from continuing operations	**70.8**	(118.0)[(4)(5)]	(18.2)	(3.0)[(4)]	34.4[(4)]
Profit for the year from discontinued operation	**–**	–	–	–	33.1[(4)]
Profit (Loss) for the year	**70.8**	(118.0)[(4)(5)]	(18.2)[(4)]	(3.0)[(4)]	67.5[(1)(4)]
Earnings (Loss) per share (RMB cents)	**4.2**	(10.0)[(4)(5)]	(2.23)[(4)]	(0.54)[(4)]	11.96[(1)(3)(4)]
Total assets	**5,615.3**	5,099.0[(4)(5)]	1,017.7[(4)]	604.0[(4)]	372.0[(4)]
Total liabilities	**3,898.5**	4,058.1[(4)(5)]	435.4[(4)]	254.7[(4)]	15.7[(4)]
Net assets	**1,716.8**	1,040.9[(4)(5)]	582.3[(4)]	349.4[(4)]	356.3[(4)]
Net assets value per share (RMB)	**0.53**	1.21[(4)(5)]	0.68[(4)]	0.61[(4)]	0.63[(3)(4)]

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

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

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

(4) The figures for the years ended 31 March 2013, 2014, 2015 and 2016 have been restated as a result of the change in the Group's presentation currency.

(5) The figures for the year ended 31 March 2016 have been restated as a result of the common control combination using merger accounting.

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