CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code：745

ANNUAL REPORT 2017

Contents

Corporate Information

DIRECTORS

Executive Directors

Ms. Sun Wei
Mr. Yan Zhilei

Independent Non-Executive Directors

Mr. Liu Kwong Sang
Ms. Wang Miaojun
Ms. Wang Yujie (appointed on 27 July 2016)
Ms. Cheung Lai Chun (resigned on 10 May 2016)

AUDIT COMMITTEE

Mr. Liu Kwong Sang (Chairman)
Ms. Wang Miaojun
Ms. Wang Yujie (appointed on 27 July 2016)
Ms. Cheung Lai Chun (resigned on 10 May 2016)

REMUNERATION COMMITTEE

Mr. Liu Kwong Sang (Chairman)
Ms. Sun Wei
Ms. Wang Miaojun
Ms. Wang Yujie (appointed on 27 July 2016)
Ms. Cheung Lai Chun (resigned on 10 May 2016)

NOMINATION COMMITTEE

Ms. Wang Miaojun (Chairperson)
Ms. Sun Wei
Mr. Liu Kwong Sang
Ms. Wang Yujie (appointed on 27 July 2016)
Ms. Cheung Lai Chun (resigned on 10 May 2016)

COMPANY SECRETARY

Mr. Li Wing Sum Steven

ASSISTANT COMPANY SECRETARY

Conyers Trust Company (Cayman) Limited

AUDITORS

Elite Partners CPA Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Office unit 403, 4th floor,
Wing Tuck Commercial Centre,
177-183 Wing Lok Street,
Sheung Wan, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SHARE LISTING

Main Board of The Stock Exchange of Hong Kong Limited
(Stock code: 745)

Director's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board" or the "Directors") of China National Culture Group Limited (the "Company"), I present the annual results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 March 2017.

CURRENT YEAR REVIEW

During the year, the Group kept on focus on its existing advertising and e-commerce business and expanded the Group's business through acquisition as planned. It is expected that it will generate stable revenue stream to the Group. Besides, the Group also invested in a number of movies which are expected to generate positive contributions to the Group in the future.

The Group has net loss for the year mainly due to (i) gross loss recognised for the year; (ii) net realised and unrealised loss on financial assets held for trading; (iii) impairment loss in respect of goodwill; and (iv) impairment loss of available-for-sale investments. The Directors will continue to maintain a diversified investment portfolio and closely monitor the performance of all investments.

PROSPECTS

With a series of new developments in the pipeline, we are excited about the opportunities ahead.

In April 2016, the Group have completed the acquisition of Group Wise Holdings Limited ("Group Wise") as it is considered that (1) certain expertise knowledge and the platform of Group Wise can be utilised in the Group's business of advertising media services, the acquisition of Group Wise is in line with the business development strategy and expansion plan of Group Wise; (2) Group Wise has well-established business in marketing services, the Board considers the acquisition will enable the Group to complement its existing movie distribution business, which may have synergetic effect.

The visions of the Group are (1) to expand its existing services offerings to different industry and also the geographical coverage; and (2) to look for business opportunities that would generate long-term returns to its shareholders.

To achieve these visions, our future plans include:

– Continued development of advertising and e-commerce related businesses;

– Expansion of advertising and e-commerce related business through acquisition and/or co-operation;

– Strategic investments in both regional and overseas movie productions; and

– Diversifying the Group's business portfolio in other business sector including but not limited to money lending business.

The Group will keep the shareholders abreast of the latest development of the Group.

Director's Statement

APPRECIATION

The Directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

Sun Wei
Executive director

Hong Kong, 28 June 2017

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2017, the Group recorded a revenue of approximately HK$64,622,000 (2016: HK$38,135,000), representing an increase of 69.5% as compared with last year. The increase in turnover in the current year mainly because the advertising income contributed by Recent Value Limited and Dynamic Thinker Limited and the revenue generated from sale of film rights during the year. The Group recorded a gross loss of approximately HK$6,748,000 for the year ended 31 March 2017 as against a gross profit of approximately HK$7,335,000 for the year ended 31 March 2016 mainly represents the net effect of gross profit arising from e-commerce and advertising segments and gross loss arising from movie segment. The gross loss of advertising segment mainly due to the slow growth of revenue generated during the year. The gross loss of movie segment mainly arose from delay in publication date and unsatisfactory market demand of the films invested by the Group.

Loss attributable to the owners of the Company amounted to approximately HK$263,438,000 as against a profit attributable to the owners of the Company amounted to approximately HK$123,250,000. The net loss reported by the Group was mainly arising from the net effect of (i) gross loss recognised for the year ended 31 March 2017; (ii) net realised and unrealised loss on financial assets held for trading ("FVTPL") of approximately HK$122,051,000; (iii) impairment loss in respect of goodwill of approximately HK$95,400,000; and (iv) impairment loss in respect of available-for-sale investments ("AFS") of approximately HK$12,977,000.

The details of FVTPL and AFS as at 31 March 2017 as follows:

FVTPL as at 31 March 2017:

Name of investee	As at 1 April 2016	Loss on disposal	Fair value loss	As at 31 March 2017	Percentage to the Group's audited total assets as at 31 March 2017	Number of shares held by the Group as at 1 April 2016	Percentage of shareholding held by the Group as at 1 April 2016	Number of shares held by the Group as at 31 March 2017	Percentage of shareholding held by the Group as at 31 March 2017
	HK$'000	HK$'000	HK$'000	HK$'000	%		%		%
Significant investments									
L&A International Holdings Limited ("L&A") (stock code: 8195.HK) (Note (a))	21,760	(20,494)	–	–	–	6,800,000	0.17%	–	–
China Jicheng Holdings Limited ("CJH") (stock code: 1027.HK) (Note (b))	386,750	–	(68,250)	318,500	35.4%	325,000,000	2.17%	1,625,000,000	2.17%
China Environmental Energy Investment Limited ("CEE") (stock code: 986.HK) (Note (c))	16,632	(2,521)	(9,935)	3,015	0.3%	88,000,000	2.35%	6,852,000	1.83%
Sub-total	425,142	(23,015)	(78,185)	321,515	35.7%				
Other listed securities	34,319	(1,573)	(19,278)	33,701	3.7%				
Total	459,461	(24,588)	(97,463)	355,216	39.4%				

Management Discussion and Analysis

Notes:

(a) L&A is principally engaged in the manufacturing, sales and retailing of garment products and provision of loan and other financial services. Based on L&A's interim report for the six months ended 30 September 2016, revenue and loss of L&A was approximately HK$47.5 million and HK$83.1 million respectively. During the year ended 31 March 2017, the Group has disposed the entire invested shares of L&A in October 2016.

(b) CJH is engaged in investment holding while the principal subsidiaries are principally engaged in manufacture and sale of umbrellas. Based on CJH's annual report for the year ended 31 December 2016, revenue and profit of CJH was approximately RMB604.0 million and RMB6.1 million respectively.

(c) CEE is engaged in waste paper, scrap metals and consumable wastes recycling and trading of petrochemical products, provision of internet online services relating to product sales and marketing and web maintenance, securities investment, provision of loan as money lending and trading of gold and diamond. Based on CEE's interim report for the six months ended 30 September 2016, revenue and profit of CEE was approximately HK$43.1 million and HK$129.3 million respectively. During the year ended 31 March 2017, the Group has disposed 19,480,000 shares of CEE in October 2016.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Except the significant investments disclosed above, at 31 March 2017, there was no investment held by the Group the value of which was more than 5% of the total assets of the Group and no investment held by the Group contributed more than 10% of the realised or unrealised loss for the year ended 31 March 2017.

AFS as at 31 March 2017

Name of investee	Fair value gain/(loss)	As at 31 March 2017	Percentage to the Group's audited total assets as at 31 March 2017	Number of shares held by the Group as at 1 April 2016	Percentage of shareholding held by the Group as at 1 April 2016	Number of shares held by the Group as at 31 March 2017	Percentage of shareholding held by the Group as at 31 March 2017
	HK$'000	HK$'000	%		%		%
Time2U International Holding Limited ("Time2U") (stock code: 1327.HK) (Note)	(12,977)	11,143	1.2%	–	–	171,428,000	4.96%
Other listed securities	9,135	36,117	4.0%				
Total	(3,842)	47,260	5.2%				

Note: Time2U is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches. Based on Time2U's annual report for the year ended 31 December 2016, revenue and loss of Time2U was approximately RMB271.8 million and RMB339.2 million respectively.

The impairment loss of approximately HK$12,977,000 recognised in relation to the AFS by reference to the market price of the AFS as at 31 March 2017.

Except the AFS disclosed above, at 31 March 2017, there was no AFS held by the Group the value of which was more than 5% of the total assets of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

As at the end of the year, non-current assets increased to approximately HK$398,250,000 (2016: HK$344,814,000) due to goodwill and intangible assets arose from the acquisition of Recent Value Limited during the year. Current assets decreased due to the decrease in financial assets held for trading and the decrease in cash and cash equivalents. Total liabilities were increased as the Group has consideration payable and deferred tax liabilities arose from acquisition of Recent Value Limited during the year.

Capital Structure

Authorised share capital

As at 31 March 2017, the authorised share capital of the Company ("Authorised Share Capital") was HK$1,490,000,000 divided into 50,000,000,000 shares ("Shares") of HK$0.02 each and 7,000,000,000 non-voting convertible preference shares of HK$0.07 each. The Authorised Share Capital had no change during the year ended 31 March 2017.

Issued share capital

As at 31 March 2017, the number of Shares in issue was 9,814,410,000 Shares of HK$0.02 each. The issued share capital of the Company had no change during the year ended 31 March 2017.

Use of Proceeds

During the year ended 31 March 2017, the Group has applied the net proceeds from open offer completed during the year ended 31 March 2016 as follows:

Purposes	Net proceeds (HK$'000) Available	 Utilised	 Unutilised
– Acquisition of potential targets principally engaged in the mobile application business in the PRC	180,256	160,190	20,066
– Potential investment opportunities and/or related funding requirements associated with investment opportunities identified from time to time	180,256	180,256	–
– Development and operation of the Group's proposed establishment of e-commerce business	50,071	50,071	–
– Repayment of existing debts of the Group	30,043	30,043	–
– General working capital	39,657	39,657	–
	480,283	460,217	20,066

The unutilised net proceeds are placed in the bank accounts of the Group.

Liquidity and financing

The Group had total cash and bank balances of approximately HK$88,992,000 as at 31 March 2017 (2016: HK$238,292,000). The Group recorded total current assets of approximately HK$502,907,000 as at 31 March 2017 (2016: HK$750,988,000) and total current liabilities of approximately HK$164,359,000 as at 31 March 2017 (2016: HK$89,287,000).

Management Discussion and Analysis

There were no bank borrowings as at 31 March 2017 (2016: Nil). The Group's gearing ratio, calculated by aggregate of amounts of other loan and promissory notes over total assets remain as zero (2016: zero).

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars or Renminbi. The Group conducts its core business transaction mainly in Hong Kong dollars such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 31 March 2017, no asset of the Group was being pledged as there is no external financing (2016: Nil).

Contingent liabilities

Save as disclosed in note 33 of the consolidated financial statements, the Group had no other material contingent liabilities as at 31 March 2017. (2016: Nil)

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Acquisition of Capital Assets

Save for those disclosed in this annual report, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the year ended 31 March 2017. Apart from those disclosed in this annual report, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this annual report.

Employee Information

As at 31 March 2017, the Group had 13 (2016: 10) employees whom are employed in Hong Kong and PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 26 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2017 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 40 to 105.

The Board does not recommend the payment of a dividend (2016: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 106 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's issued share capital are set out in the notes 35 and 36 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 29 August 2014. The scheme mandate limit of which has been refreshed at the annual general meeting of the Company on 10 September 2015. During the year under review, no share options were granted, exercised, cancelled nor lapsed.

Details of the Share Option Scheme are as follows:

1. **Purposes**
The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to provide incentives to participants to work towards the success of the Company.

2. **Qualifying participants**
The qualifying participants include (a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any shareholder of any member of the Group; and (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, to be determined absolutely by the Board. If options are granted to the participants, regards will be had as to, inter alia, the relationship of the grantee to the Group, the length of time of relationship, the contribution made or to be made to the Group, etc.

3. **Maximum number of shares**
The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall be 981,441,000 Shares, approximately 10% of the Shares in issue as at 10 September 2015. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

As at the date of this annual report, no Shares available for issue under the Share Option Scheme.

4. **Maximum entitlement of each participant**
Maximum entitlement of each participant is 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant, any further grant of options to a participant in excess of the individual limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval separately in general meeting of the Company with such participant and his/her associates abstaining from voting.

5. **Option period**
The option period is determined by the Board provided that it is not later than ten (10) years from the date the Board makes an offer of the grant of an option subject to the provision for early termination. There is no minimum period for which an option must be held before it can be exercised.

6. **Acceptance of offer**
An offer of the grant of an option may be accepted within 28 days from the date of grant together with a remittance of HK$1.00 by way of consideration for the grant thereof.

7. Exercise price

The exercise price of the option shall be determined at the discretion of the Directors which shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Shares.

8. Remaining life of the scheme

It shall be effective for a period of ten (10) years commencing on 29 August 2014.

At no time during the year ended 31 March 2017 was the Company, nor any of its, subsidiaries or fellow subsidiaries a party to any arrangement 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the Companies Law (as revised) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2017, the Company had no reserves available for distribution under the provisions of the Companies Law (as revised) of the Cayman Islands (2016: Nil).

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for 58.54% (2016: 80.14%) of the total sales for the year and sales to the largest customer included therein amounted to 16.74% (2016: 29.84%). The aggregate purchases during the year attributable to the Group's 5 largest suppliers accounted for 100.00% (2016: 99.06%) of the Group's total purchases for the year and the purchase from the largest supplier included therein amounted to 49.95% (2016: 95.22%).

None of the Directors or any of their associates or any shareholders of the Company (the "Shareholders") (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers or the Group's 5 largest suppliers.

OVERVIEW AND PERFORMANCE OF THE YEAR

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 5 to 8 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

Operational Risks

Our revenue is mainly derived from contracts which are not recurring in nature and any significant decrease in the number of our contracts would affect our operations and financial results.

41.39% (2016: 22.22%) of our revenue during the year ended 31 March 2017 was derived from advertising and value added services through mobile devices and production and distribution of films and provision of other film related services. Our engagements with customers were on a project basis and non-recurring in nature. No long term agreement or master service agreement was entered into with our customers as at the date of this annual report. After completion of the contract, our customers are not obliged to engage us again in subsequent contracts, and we have to undergo the tendering process for every new contract. There is no assurance that our existing customers will award new contracts to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new contracts from our existing customers, there may be a significant decrease in our revenue, and our operations and financial results would hence be adversely affected.

Equity price risks

Equity price risk arises from fluctuation in quoted market price of the Group's investment in financial assets. The Group counter the equity price risk by ensuring a board diversification of the Group's investment portfolio and ensuring the investment portfolio are frequently reviewed and monitored.

Liquidity risks

Liquidity risk is the potential that our Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the Group to meet its finance needs.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporation, the Group plays an important role in protecting our environment and is committed to minimise our impact on the environment and natural resources. The Group adheres to the principle of recycling and reducing.

The Group encourages and educates staff to save energy and reduce of paper use. It also encourages environmental practices such as utilising emails for internal and external communication, setting up recycling bins, adopting e-filing in server, double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances when they are not in use.

The Company will adopt effective environmental protection by introducing e-communication with our shareholders and non-registered holders. The Company encourages investors to read the Company's corporate communication published on the websites of the Company and the Stock Exchange so as to reduce paper consumption.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements. The Group is committed to safeguard the Shareholders' rights and to enhance corporate governance standard by establishing the audit committee ("Audit Committee"), nomination committee ("Nomination Committee") and remuneration committee ("Remuneration Committee") of the Board.

For the year ended 31 March 2017, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Board recognises that our employees are one of the greatest assets contributing to the Group's future success. The Group strives to motivate its employees with competitive remuneration package and opportunities for advancement and improvement of their skills to attract and retain our employees. The Board reviews the remuneration package of our employees annually and makes necessary adjustments to conform to the prevailing market practices. The Group also adopted share options scheme to reward the contribution of the employees as an incentive.

The Group understands the importance of maintaining a good relationship with our business partners, which including the Group's customers and suppliers. The Group believes that a healthy relationship can be build up by providing better products and enhanced services to the customers, maintaining an effective communication channel to the employees and collaborating with key suppliers.

Report of the Directors

The Group is in a good relationship with its customers and suppliers. As far as the Board is aware, the Company did not receive any complaint from customers and suppliers.

The Group engaged professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

PROSPECTS

Please refer to the Director's Statement on page 3.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

EXECUTIVE DIRECTORS:

Ms. Sun Wei
Mr. Yan Zhilei

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Liu Kwong Sang
Ms. Wang Miaojun
Ms. Wang Yuijie (appointed on 27 July 2016)
Ms. Cheung Lai Chun (resigned on 10 May 2016)

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

According to article 84(1) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

According to article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

In compliance with articles 84(1) and 84(2) of Articles of Association, Mr. Yan Zhilei and Ms. Wang Miaojun will retire by rotation and being eligible, have agreed to offer themselves for re-election at the forthcoming annual general meeting.

Please refer to "Corporate Governance Report – The Board of Directors" for reasons of resignation of the Directors.

Report of the Directors

DIRECTORS’ BIOGRAPHIES

Biographical details of the Directors are set out on page 25 of this annual report.

DIRECTORS’ SERVICE CONTRACTS

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

DIRECTORS’ INTERESTS IN CONTRACTS

Save as disclosed in note 43 to the consolidated financial statements, no Director nor their connected entities had a material beneficial interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

DIRECTOR’S PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors or other office of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which they or any of them, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, in their respective offices or otherwise in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged appropriate directors’ and officers’ liability insurance coverage for the Directors and officers of the Group during the year ended 31 March 2017, and such coverage remained in full force as of the date of this annual report.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly (within the meaning of the Listing Rules) with the business of the Group throughout the year ended 31 March 2017.

EMOLUMENTS OF THE DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to notes 12 and 13 to the consolidated financial statements for details of the emoluments of the Directors, senior management and the five highest paid individuals of the Company.

RETIREMENT BENEFIT

Details of the retirement benefit of the Group are set out in note 44 to the consolidated financial statements.

Report of the Directors

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2017.

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

As at 31 March 2017, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interest and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as stipulated in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 March 2017, the Company or any of its subsidiaries did not make any arrangements to enable any Directors or their respective spouse or minor children to obtain benefits by means of the acquisition of shares of the Company or any other body corporate.

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

As at 31 March 2017, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

Except for the following deviations, the Group has adopted and met all the Code Provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the year ended 31 March 2017.

Report of the Directors

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 March 2017, the Company has not appointed the Chairman and thus there has been no segregation of duties during the year.

Code provision A.4.1 of the CG Code stipulates that the non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors is appointed for a specific term. However, the non-executive Directors are subject to retirement by rotation under the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices in this respect are no less exacting than those of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Director Ms. Wang Miaojun, was unable to attend the annual general meeting of the Company held on 31 August 2016.

As to the deviation from code provisions A.2.1 and A.4.1 of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders accordingly. For deviation from code provision A.6.7 of the CG Code, the Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

MAJOR EVENTS AFTER THE REPORTING PERIOD

On 27 June 2017, the Group disposed on-market of a total of 1,625,000,000 shares of China Jicheng Holdings Limited (1027.HK), which constituted discloseable transactions under the Listing Rules. For details, please refer to the Company's announcement dated 27 June 2017.

Save for those disclosed in this annual report, the Group does not have any material events after the year under review.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 March 2017 were audited by Elite Partners CPA Limited whose term of office will be expired upon the forthcoming annual general meeting. A resolution for the re-appointment of Elite Partners CPA Limited as the auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Sun Wei
Executive director

Hong Kong, 28 June 2017

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the code provisions as set out in the CG Code. The Board believes that throughout the year ended 31 March 2017, the Company complied with the applicable code provisions set out in the CG Code, except for the deviation from code provisions A.2.1 regarding the segregation of the role of the chairman and chief executive, A.4.1 regarding the terms of appointment of non-executive directors and A.6.7 regarding the attendance of independent non-executive Directors in the annual general meeting.

The Board continues to monitor and review the Company's corporate governance practices and makes necessary changes at the appropriate time.

THE BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promotion the success of the Company by directing and supervising its affairs. All Directors should take decisions objectively in the interests of the Company.

The Board takes the responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, environmental, social and governance issues, appointment and retirement of Directors and other significant financial and operational matters.

The executive Directors are responsible for overseeing the day-to-day management of the Company's operations and implementation of the strategies set by the Board.

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement. The Board currently comprises five Directors, including two executive Directors and three independent non-executive Directors. The names and biographical details of each Director are disclosed on page 25 of this annual report. There is no relationship (including financial, business, family or other material relationship) among the members of the Board.

During the year ended 31 March 2017, the Company has not appointed a Chairman and thus there has been no segregation of duties during the year.

During the year ended 31 March 2017, Ms. Cheung Lai Chun ("Ms. Cheung") has resigned as an independent non-executive Director, and a member of the audit committee, the remuneration committee and the nomination committee of the Board with effect from 10 May 2016 in order to focus on her other business and personal engagement. Ms. Wang Yujie has been appointed as an independent non-executive Director, and a member of the audit committee, the remuneration committee and the nomination committee of the Board, the replacements of Ms. Cheung, with effect from 27 July 2016. As at 31 March 2017, the Board met the requirements of the Listing Rules in relation to the appointment of at least three (3) independent non-executive Directors with at least one (1) independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Corporate Governance Report

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors are independent.

One of the independent non-executive Directors, Ms. Wang Yuijie is re-appointed for a term of one year from 27 July 2016. The other two independent non-executive Directors are appointed for no fixed term. Each of the independent non-executive Directors is subject to retirement by rotation or re-election in accordance with the Articles of Association. Regular Board meetings are held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year, 5 Board meetings were held and the attendance of individual Directors was as follows:

Name of directors	**Attendance**
Ms. Sun Wei	5/5
Mr. Yan Zhilei	5/5
Mr. Liu Kwong Sang	2/5
Ms. Wang Miaojun	2/5
Ms. Wang Yujie (appointed on 27 July 2016)	1/1
Ms. Cheung Lai Chun (resigned on 10 May 2016)	0/3

BOARD COMMITTEES

In order to strengthen the functions of the Board and to oversee particular aspects of the Company's affairs, three committees have been established, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee. These committees are established with defined written terms of reference.

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee. As at the date of this annual report, the Remuneration Committee comprises one executive Director, Ms. Sun Wei and three independent non-executive Directors, namely, Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yuijie. Mr. Liu Kwong Sang is the Chairman of the Remuneration Committee. The primary objective for setting up the Remuneration Committee is to comply with the code provisions as set out in the CG Code. Its responsibilities are to review and consider the Group's policy for remuneration of Directors and senior management, to recommend to the Board the remuneration packages of each of the executive Directors, independent non-executive Directors and the senior management.

Corporate Governance Report

The Remuneration Committee held 1 meeting during the year. Details of individual attendance of its members are set out below:

Name of members	Attendance
Mr. Liu Kwong Sang	1/1
Ms. Sun Wei	1/1
Ms. Wang Miaojun	1/1
Ms. Wang Yujie (appointed on 27 July 2016)	0/0
Ms. Cheung Lai Chun (resigned on 10 May 2016)	0/0

During the year, the remuneration committee had reviewed and considered, inter alia, the remuneration policy of the Company and the remuneration of the Directors and senior management.

AUDIT COMMITTEE

During the year ended 31 March 2017, Ms. Cheung Lai Chun has resigned as a member of the audit committee of the Board ("Audit Committee") with effect from 10 May 2016 and Ms. Wang Yujie has been appointed as a replacement on 27 July 2016. As at 31 March 2017, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie. Mr. Liu Kwong Sang, who process appropriate professional qualifications, accounting and financial management expertise, is the chairman of the Audit Committee. The primary duties of the Audit Committee are: to independent review and supervise the financial reporting process, internal control and risk management systems on an ongoing basis, to ensure good communications among Directors and the Company's auditors, to recommend the appointment of external auditors on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant, to review interim and annual results announcements as well as the consolidated financial statements prior to their approval by the Board, to provide advice on audit report, accounting policies and comments to all Directors.

The Audit Committee held 2 meetings during the year. Details of individual attendance of its members are set out below:

Name of members	Attendance
Mr. Liu Kwong Sang	2/2
Ms. Wang Miaojun	2/2
Ms. Wang Yujie (appointed on 27 July 2016)	1/1
Ms. Cheung Lai Chun (resigned on 10 May 2016)	0/0

During the year, the Audit Committee had reviewed and considered, inter alia, the annual results for the year ended 31 March 2016 and the interim results for the six months ended 30 September 2016. The annual report 2017 has been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Company has established the Nomination Committee and adopted written terms of reference in April 2012, and currently consists of four members, including Ms. Wang Miaojun (Chairperson), Ms. Sun Wei, Mr. Liu Kwong Sang and Ms. Wang Yujie, a majority of whom are independent non-executive Directors.

The principal duties of the Nomination Committee include, among other things, (i) to review Board composition structure, size and diversity (including but not limited to gender, age, culture and educational background) at least annually; (ii) to make recommendations to the Board on the appointment and re-appointment of Directors; and (iii) to assess the independence of independent non-executive Directors.

During the year, 1 meeting of Nomination Committee were held with attendance of individual member is as follows:

Name of members	**Attendance**
Ms. Wang Miaojun	1/1
Ms. Sun Wei	1/1
Mr. Liu Kwong Sang	1/1
Ms. Wang Yujie (appointed on 27 July 2016)	0/0
Ms. Cheung Lai Chun (resigned on 10 May 2016)	0/0

NOMINATION OF DIRECTORS

The Nomination Committee is responsible for the formulation of nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision and the re-election, and where necessary, nominating appropriate persons to fill casual vacancies or as additions to the Board. The Nomination Committee from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management. It also identified and nominates qualified individuals for appointment as new Directors.

New Directors will be appointed by the Board. The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments.

Corporate Governance Report

DIRECTORS' TRAINING

As part of an ongoing process of directors' training, the Directors are updated with the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training.

Pursuant of code provision A.6.5 of CG Code and Report, which has come to into effect from 1 April 2012, all Directors should participate in continuous professional development ("CPD") to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this annual report, the Directors have participated in appropriate continuous professional development activities by attending training course on the topics related to corporate governance and regulations or by reading materials relevant to the Company's business or to their duties and responsibilities. This is in addition to Directors' attendance at meetings and review of papers and circulars sent by management.

The participation by individual Directors in the program during the year was recorded in the table below:

	Type of CPD programmes
EXECUTIVE DIRECTORS	
Ms. Sun Wei	B
Mr. Yan Zhilei	B
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Liu Kwong Sang	A, B
Ms. Wang Miaojun	A, B
Ms. Wang Yujie (appointed on 27 July 2016)	B

Notes:

A: attending seminars/forums/workshops/conferences relating to corporate governance and regulations
B: reading materials relevant to the Company's business or to directors' duties and responsibilities

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the year ended 31 March 2017.

AUDITORS' REMUNERATION

The Audit Committee reviews each year with the external auditors of the Company with regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them. During the year, the fees paid to the Company's auditors in respect of audit services and non-audit services amounted to HK$650,000 and HK$3,000 receptively.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditors' Report" on pages 35 to 39.

The consolidated financial statements for the year were audited by Elite Partners CPA Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that Elite Partners CPA Limited be nominated for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for the preparation of the consolidated financial statements of the Group and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such consolidated financial statements. The statement of the external auditors of the Group, Elite Partners CPA Limited, with regard to their reporting responsibilities on the Group's consolidated financial statements is set out in the Independent Auditors' Report on pages 35 to 39.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Company's risk management and internal control systems. The Company has established risk management and internal control systems and the Board will conduct review on the effectiveness of the system at least annually and report the result of the review to the shareholders.

The Group has engaged an independent internal control review advisor (the "Internal Control Advisor") to conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covered major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. During the risk assessment process, the Internal Control Advisor interviewed the relevant personnel and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on ongoing basis.

COMPANY SECRETARY

Mr. Li Wing Sum Steven ("Mr. Li") has been appointed as the company secretary of the Company ("Company Secretary") on 9 May 2014. His primary corporate contact person at the Company is Ms. Sun Wei, an executive Director. Mr. Li has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge during the year ended 31 March 2017.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

The right and procedures to convene a general meeting and to demand a poll on resolutions at general meetings by the Shareholders are set out in the amended and restated Articles of Association headed "General Meetings", "Notice of General Meetings", "Proceedings At General Meetings" and "Voting". Shareholders may at any time send their enquiries to the Board by addressing them to the Company Secretary by post at the principal place of business of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company has a shareholders communication policy to set out the Company's procedures in providing Shareholders and investors in respect of the information about the Company.

The Company uses various communication methods to ensure its shareholders are kept well informed. These include publication of annual report, various notices, announcements and circulars. The Shareholders' meeting also provides a useful channel for Shareholders to communicate directly with the Board at which the Directors are available to answer questions relating to the Company's affairs. The right to demand voting by poll is communicated to the Shareholders by way of circulars. Resolutions are proposed at each Shareholders' meeting on each substantially separate issue, include the election of individual Director.

Certain independent non-executive Directors, for the time when general meetings were held, had other business engagements and thus, were not able to attend most general meetings held during the year ended 31 March 2017. In this regard, the Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future, for compliance of rule A.6.7 as set out in the CG Code.

Participation of individual Directors at the annual general meeting held during the year ended 31 March 2017 is as follows:

	AGM
Number of Meeting	1
EXECUTIVE DIRECTORS	
Ms. Sun Wei	1/1
Mr. Yan Zhilei	1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Liu Kwong Sang	1/1
Ms. Wong Miaojun	0/1
Ms. Wang Yujie (appointed on 27 July 2016)	1/1
Ms. Cheung Lai Chun (resigned on 10 May 2016)	0/0

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. Sun Wei ("Ms. Sun"), aged 33, was appointed in February 2014. Ms. Sun holds a Bachelor of Arts in English Education degree from Shanghai International Studies University, PRC, a Master of Science degree in Finance from Clark University, United States of America and a Postgraduate Certificate in Professional Accounting from City University of Hong Kong. Ms. Sun has over five years of experience in accounting and administration.

Mr. Yan Zhilei ("Mr. Yan"), aged 38, was appointed in July 2015. Mr. Yan graduated with a bachelor's degree in accounting from 長春税務學院 (Changchun Taxation College*) in July 2002. Mr. Yan has over five years of experience in the electronic industry. He also served the positions as chief financial officer and deputy general manager in a number of large enterprises in the PRC. As such, Mr. Yan has extensive management experience in corporate leadership, corporate development, strategic planning and business strategies as well as in critical business decisions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Kwong Sang ("Mr. Liu"), aged 55, was appointed in September 2004. Mr. Liu has been practising as a certified public accountant in Hong Kong with more than 25 years of experience in accounting profession. Mr. Liu graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy (with honours) and obtained the Master degree in Business Administration from the University of Lincoln, the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants, the United Kingdom and a fellow member of the Institute of Public Accountants (formerly known as "National Institute of Accountants"), Australia. Mr. Liu is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong, a Certified Tax Adviser and a fellow member of the Society of Registered Financial Planners. Mr. Liu acts as independent non-executive director of Polytec Asset Holdings Limited and Pine Care Group Limited, securities of which are listed on the main board of the Stock Exchange, and of abc Multiactive Limited, whose securities are listed on the GEM board of the Stock Exchange. He was independent non-executive director of Dragonite International Limited (now known as "OCI International Holdings Limited"), a company listed on the main board of the Stock Exchange, for the period from April 2010 to September 2014, and of Evershine Group Holdings Limited, whose securities are listed on the GEM board of the Stock Exchange, for the period from January 2014 to December 2016, and of Pacific CMA, Inc. whose securities were listed on the OTC Market of American Stock Exchange.

Ms. Wang Miaojun ("Ms. Wang"), aged 36, was appointed in February 2014. Ms. Wang holds a bachelor degree in Electronics and Information Engineering from Shenzhen University. Ms. Wang has over 10 years of experience in IT and media industry. Ms. Wang is currently a general manager of the online media department and a director in an online media company. Ms. Wang had extensive experience in operation and management and had held management roles in electronics, IT and media companies and had an established network of relationship within IT industry in the PRC.

Ms. Wang Yujie ("Yujie"), aged 32, was appointed in July 2016 and was graduated from 首都經濟貿易大學華僑學院 (Overseas Chinese College, Capital University of Economics and Business), formerly known as 燕京華僑大學 (Yanjing Overseas Chinese University*) with a bachelor's degree in Foreign Trade English from the Department of Foreign Languages in July 2008. Yujie has years of experience working in bidding maintenance department of a Chinese search engine company.

* *For identification purpose only*

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

This report has been prepared by the management of the Company in accordance with the requirement of the Appendix 27 Environmental, Social and Governance Reporting Guide ("ESG Guide") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This is the first ESG report of the Group and it will present mainly policies, initiatives and performance of the Group for the year ended 31 March 2017. It will also highlight material aspects identified from 1 April 2016 to 31 March 2017 (the "Reporting Period") with the Board confirms the report has been reviewed and approved to ensure all material issues and impacts are fairly presented.

The environmental, social and governance report of the Group (the "ESG Report") has been presented into two subject areas, Environmental and Social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Guide.

The Group understands the importance of ESG report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society.

The key stakeholders for the Reporting Period are identified by the Group as follow:

- Equity shareholders
- Local and Central governments of the People's Republic of China
- Hong Kong supervision bodies related to listing compliance
- Employees
- Customers
- Suppliers/Subcontractor

ESG Guide		Relevant ESG issues to the Group
A.	**Environmental**	
A.1	Emissions	Carbon Dioxide Emission and Waste Management
A.2	Use of resources	Resources Consumption and Environmental Management
A.3	Environmental and natural resources	Measures in Reducing Environmental Impact
B.	**Social**	
B.1	Employment	Labour Practices
B.2	Health and safety	Workplace Health and Safety
B.3	Development and training	Employee Development and Training
B.4	Labour standards	Child Labour and Forced Labor
B.5	Supply chain management	Relationship Management in the View of Long Term Co-operation
B.6	Product responsibility	Product/Service Quality Control and Safety Keeping Practice
B.7	Anti-corruption	Anti-corruption and Money Laundering
B.8	Community investment	Community Involvement

Environmental, Social and Governance Report

ABOUT THE GROUP

The Group was principally involved in provision of the advertising media services, e-commerce, film production and distribution business.

The visions of the Group are:

(1) to expand its existing services offerings to different industry and also the geographical coverage; and

(2) to look for business opportunities that would generate long-term returns to its shareholders.

A. Environmental

The Group always concern the adverse impact of it business activity toward the environment and has promoted and educated all staff to minimise the input of resources for more environmental friendly atmosphere. As the Group does not involve in use of significant natural resources and most of the services provided are through new media e.g. website, mobile application and electronic social platform, the exposure of adverse environmental impact is very limited. During the Reporting Period, the Group did not experience any cases of non-compliance relating to environmental laws and regulations in the People's Republic of China and Hong Kong.

A.1 Emissions

Carbon Dioxide Emissions

The Group would indirectly produce Carbon Dioxide ("CO_2") when the staff occupied computers or office equipment during the business hours.

Although the activities of the Group would not generate significant environmental problem and the use of nature resource is limited, the Group has established policies of measures to reduce the impact toward environment such as:

✓ Reduce operation hours of public lighting

✓ Re-zoning for automated switching off air-conditioning and lighting

✓ Switch lighting system to using energy efficient fluorescent tubes and LED lights

✓ Adjust indoor temperature setting

✓ Provide staff with tips for Green Office

Waste Management
The Group has launched a number of waste management programme, including:

- Recycling of paper materials, printing cartridges and batteries;

- To encourage staff to mitigate paper consumption by double-sided printing and reusing paper printed on one side.

The Group strictly complies with relevant environmental laws and regulations towards local laws and regulations on environment in the PRC and Hong Kong.

A.2 Use of Resources

Resources Consumption
The Group always encourages staffs to adopt environmentally responsible habits that mentioned in the environmental management practices to measure and reduce the use of resources, minimize waste and recycle materials.

With the vision of helping to protect the planet and of incorporating environmental sustainability into its business functions and processes, the Group proactively seeks opportunities for increasing operating efficiency in order to minimize the use of resources, including restriction of room temperature and has encouraged the use of recycle papers in office. Also switch off lights and air-conditioning where not in use.

The Group is committed to perform regular assessment in analysing data in aims to better manage the use of resources. The resources used by the Group from offices relates to electricity and paper consumption.

Environmental Management
Environmental Policy and Performance
Environmental conservation is always one of the Group's concerns. Although the Group does not establish a formal environmental policy, various measures have been implemented to encourage in compliance with environmental legislation and promote awareness towards environmental protection to the employees.

A.3 Environmental and Natural Resources

Measures in Reducing Environmental Impact

It is essential that the Group's policy should maintain the daily operation efficiency in order to mitigate the total usage of energy and materials.

All sub-companies are committed to producing high quality services while also ensuring that, all business activities in the People's Republic of China and Hong Kong, impact the environment positively.

The Group protects natural resources by green purchasing such as recycled paper, toner and cartridge. Trying to reduce the quantity of copying paper, use duplex printing, print on used paper, use copier networking for faxing and document storage. Implemented electronic leave application.

B. Social

B.1 Employment

Labour Practices

A good workplace's practice attributes from being free from discrimination and equal opportunities for all despite of age, gender, race, colour, sexual orientation, disability or marital status to increase employee satisfaction. To ensure an equal and fair working environment, the Group's practices and policies with respect to:

- compensation and dismissal;
- recruitment and promotion;
- working hours;
- rest periods;
- equal opportunities;
- diversity;
- anti-discrimination; and
- welfare and other benefits,

which have complied with relevant Labour Law of both Hong Kong and the PRC.

Employment contract specifies the terms including compensation and dismissal, working hours, rest periods and other benefits and welfare for staff. Staff handbook also highlights important information of policies on compensation, employee benefits including medical insurance, rights on termination, business conduct and leave benefits.

Social activities such as annual dinner, team building and other social events are organized for employees to participate to increase their work-life balance and enhance the relationship with employees.

B.2 Health and Safety

Workplace Health and Safety

The Group is committed to keep its employees free from the impacts of safety and health risks. Protecting employee's occupational health and safety is critical for the Group. The Group complies with the Labour Law of the all relevant jurisdiction it operated, including Hong Kong & the PRC.

There is also fire prevention protection including fire-fighting equipment such as fire extinguisher and fire detection equipment are equipped and checked regularly to prevent any fire outbreak. Staff also participate in regular fire drill and smoking is prohibited in all areas. For the year ended 31 March 2017, the Group has reported zero work related fatalities and work injuries.

B.3 Development and Training

Employee Development and Training

The Group encourages employees for continuous development and improves their skill set through training. The Group provided various internal and external trainings for developing the workforce including but not limited to financing, accounting, corporate governance and others that directly related to the business of the Company.

There are budgets per annum for directors and other staffs' training and reimbursed given after the completion of the enrolled program. To fully develop the workforce, new staffs will also be provided with on-board training to help adapt faster to the operations of the Group. Staff's performance will also be reviewed annually through appraisal to determine any additional training or improvement plan required for each staff from their performance result.

B.4 Labour Standards

Child Labour and Forced Labour

With compliance on the Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》and the Employment Ordinance Chapter 57 of the Laws of Hong Kong, any individuals under legal working age or without any identification documents are disqualified from employment.

During interview, the candidate's identification will be checked to prevent child labour and illegal labour. Identification will be checked again when suitable candidate being employed. Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately and the discovered issue will be reviewed and discussed with the Board to prevent it from happening again.

The Group also has policies to protect staff's labour rights with a complaint system for staffs to report their concerns and any violations of labour rights. For the year ended 31 March 2017, there is no labour dispute between the Group and its staffs.

B.5 Supply Chain Management

Relationship Management in the View of Long Term Co-operation

The objectives are to deepen the collaborative relationship with the strategic suppliers and to create competitive advantages in the value chain, thereby aim to enhance their impact on the society and environment.

The Group also tended to maintain long term relationship with its suppliers for ensuring stable supply of materials or goods. Greater emphasis is placed on the communication and relationship with the suppliers towards sustainable development.

B.6 Product Responsibility

Product/Service Quality Control

Once a compliant is received by telephone, email or letter, it must be reported to the management. Investigation is carried out to identify the reason of the compliant. Responsible department is required to formulate long term strategy and the result will be reviewed by quality assurance department.

Safety Keeping Practice

Data and intelligent property like designed graphics are our valuable asset. The Group has developed a policy of information management system to provide guidance to staff on control and usage of company data and to restrict access or use where necessary to protect the interests of the Group. Information is classified into different levels according to the confidentiality as public, internal, and restricted/confidential. In order to protect consumer data and privacy we will keep the client information together and destroy on a timely basis.

B.7 Anti-Corruption

Anti-corruption and Money Laundering

Conducting business with integrity is one of the core values underlying the Group's business operations. A system with good moral integrity and anti-corruption mechanism is the cornerstone for the sustainable and healthy development of the Group. The Group has adopted and circulated internally clear guidelines for employees to strictly prohibit corruption, fraud, money laundering, bribery and extortion.

The Group is committed to the compliance with Criminal law of the People's Republic of China《中華人民共和國刑法》and the Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國反不正當競爭法》and other relevant laws and regulations. During the Reporting Period, the Group has not received any complaint or notification from governmental authorities regarding non-compliance of the Group or its employees with anti-corruption laws referred to above.

Generally, anyone who believes fraud has occurred should report the incident to the manager of the relevant department of the company. The manager must report all apparent cases of fraud brought to her/his attention to the managing director.

The Group has implemented specific measures to detect and deter money laundering and the financing of terrorist activities. For instance,

a. Establishing record keeping and client identification requirements for financial services providers.

b. Requiring the reporting of suspicious financial transactions and of cross-border movements of currency.

c. Establishing an agency that is responsible for ensuring compliance with the Act.

B.8 Community Investment

The Group believes that community support is important to the Group's success and promotes the core value of sustainable development. Therefore, the Group plans to initiate plans such as through company sponsor and employee volunteer programs to get involved in the communities in order to build a good community relations with our employees volunteering and promoting social development by contributing to education and charity.

Assessment will be taken on how to give business activities to the interests of community.

In the future, the Group will:

✓ seek opportunities to work with charitable organisations to get involved in various community programmes and contribute to society; and

✓ promote the health of its employees and customers by organising and taking part in sports and fitness activities.

Independent Auditors' Report

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

To the members of
CHINA NATIONAL CULTURE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China National Culture Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 40 to 105, which comprise the consolidated statements of financial position as at 31 March 2017, and the consolidated statement of profit of loss, the consolidated statement of profit of loss and other 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 OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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.

Independent Auditors' Report

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 for the year ended 31 March 2017. 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.

Key audit matter	How the matter was address in our audit
Impairment assessment of intangible assets and goodwill	
We identified the impairment of goodwill and intangible assets as a key audit matter due to the significance to the consolidated financial statements as a whole and significant judgement involved in the management's assessment process. As disclosed in notes 19 and 18 to the consolidated financial statements, the carrying value of goodwill and intangible assets as at 31 March 2017 were HK$98,099,000 and HK$223,661,000 respectively. In estimating the recoverable amount of the cash generating units to which goodwill and intangible assets have been allocated, the management has made a number of key assumptions in the value in use calculation. The key assumptions include growth rates, discount rates applied and the forecast performance based on management's view of future business prospects.	Our procedures in relation to the impairment of goodwill and intangible assets included: • Evaluating the independent external valuer's competence, capabilities and objectivity; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; • Evaluating the historical accuracy and the growth rate of the financial budget used in the discounted cash flows by comparing the historical budget to actual results; • Testing a selection of data inputs underpinning the cash flow forecasts against appropriate supporting evidence, such as approved budgets, to assess the accuracy and reliability; • Assessing the sensitivity analysis prepared by management on the significant assumptions to evaluate the extent of impact on the discounted cash flows; and • Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

Acquisition of subsidiaries

During the year ended 31 March 2017, the Group acquired 100% equity interest in Recent Value Limited at a consideration of HK$115,000,000 settled in cash. Recent Value Limited is an investment holding company, and its subsidiary, Group Wise Holdings Limited, is principally engaged in provision of communication marketing platform service.

We have identified the acquisition of subsidiaries as a key audit matter because significant judgements were required for measuring the fair value of assets involved in the business combination (e.g. intangible asset).

Our major audit procedures to address the acquisition of subsidiaries included the following:

- We discussed with the management and the independent external valuers engaged by the Company and assessed the methodology and assumptions adopted in arriving at the forecast in valuing the intangible asset to ensure that the methodology and assumptions were reasonable;
- We checked on a sample basis the accuracy and reliance of the input data used for intangible asset;
- We performed recalculation on the valuation models to ensure their mathematical accuracy; and
- We assessed the competency and capabilities of the independent external valuer taking into account of their experience and qualification.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment and maintain professional skepticism 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.

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 Yip Kai Yin with Practising Certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road,
Tsim Sha Tsui, Kowloon, Hong Kong

28 June 2017

Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	9	**64,622**	38,135
Cost of sales		**(71,370)**	(30,800)
Gross (loss)/profit		**(6,748)**	7,335
Other revenue	9	**944**	1,146
Administrative expenses		**(22,555)**	(17,971)
Other gains or losses	9	**(250,848)**	206,849
(Loss)/Profit from operation	10	**(279,207)**	197,359
Finance costs	11	**–**	(12,324)
(Loss)/Profit before taxation		**(279,207)**	185,035
Taxation	14	**15,769**	(61,785)
(Loss)/Profit for the year and attributable to the owners of the Company		**(263,438)**	123,250
(Loss)/Earnings per share			
(Loss)/Earnings per share – Basic and Diluted (HK cents)	16	**(2.68)**	1.55

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
(Loss)/Profit for the year	**(263,438)**	123,250
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(18,830)**	(40)
Reclassification adjustments upon disposal of subsidiaries during the year	**–**	238
Fair value loss on available-for-sale financial assets	**(3,842)**	–
Reclassification adjustment upon impairment of available-for-sale investments	**12,977**	–
Other comprehensive (expense)/income for the year, net of income tax	**(9,695)**	198
Total comprehensive (expense)/income for the year	**(273,133)**	123,448
Total comprehensive (expense)/income attributable to:		
– Owners of the Company	**(273,133)**	123,448

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**230**	322
Intangible assets	18	**223,661**	148,806
Goodwill	19	**98,099**	175,686
Available-for-sale investments	21	**47,260**	–
Prepayments for acquisition of film rights	22	**29,000**	–
Deposit paid for the acquisition of a subsidiary	23	**–**	20,000
		398,250	344,814
Current assets			
Inventories	24	**–**	2,750
Financial assets held for trading	25	**355,216**	459,461
Accounts receivable	27	**42,943**	24,564
Prepayments, deposits and other receivables	28	**15,756**	25,921
Cash and cash equivalents	29	**88,992**	238,292
		502,907	750,988
Total assets		**901,157**	1,095,802
EQUITY			
Capital and reserves			
Share capital	35	**196,288**	196,288
Reserves	38	**436,073**	709,206
Total equity		**632,361**	905,494

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
LIABILITIES			
Current liabilities			
Accounts payable	30	**34,684**	1,184
Consideration payable	31	**115,000**	80,000
Other payables and accruals	32	**7,733**	1,459
Provision	33	**3,547**	3,547
Tax payables		**3,260**	990
Deferred income		**135**	2,107
		164,359	89,287
Non-current liabilities			
Deferred tax liabilities	34	**104,437**	101,021
Total liabilities		**268,796**	190,308
Total equity and liabilities		**901,157**	1,095,802
Net current assets		**338,548**	661,701
Total asset less current liabilities		**736,798**	1,006,515
Net assets		**632,361**	905,494

The consolidated financial statements on pages 40 to 105 were approved and authorised for issue by the board of directors on 28 June 2017 and signed on its behalf by:

Sun Wei
Director

Yan Zhilei
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company						
	Share capital HK$'000	Shares premium HK$'000	Capital reserve HK$'000	Exchange translation reserve HK$'000 (Note)	Investment revaluation reserve HK$'000	Accumulated profit/ (losses) HK$'000	Total equity HK$'000
At 1 April 2015	98,144	851,180	9,800	(235)	–	(657,119)	301,770
Profit for the year	–	–	–	–	–	123,250	123,250
Other comprehensive loss for the year:							
Exchange difference on translating foreign operations	–	–	–	(40)	–	–	(40)
Reclassification adjustments upon disposal of subsidiaries during the year	–	–	–	238	–	–	238
Total comprehensive income for the year	–	–	–	198	–	123,250	123,448
Reclassification adjustments relating to subsidiaries disposal of during the year	–	–	(9,800)	–	–	9,800	–
Issue of shares under open offer	98,144	382,737	–	–	–	–	480,881
Transaction cost on open offer	–	(605)	–	–	–	–	(605)
At 31 March 2016 and at 1 April 2016	196,288	1,233,312	–	(37)	–	(524,069)	905,494
Loss for the year	–	–	–	–	–	(263,438)	(263,438)
Other comprehensive loss for the year:							
Exchange difference on translating foreign operations	–	–	–	(18,830)	–	–	(18,830)
Fair value loss on available-for-sale financial assets	–	–	–	–	(3,842)	–	(3,842)
Reclassification adjustment upon impairment of available-for-sale financial assets	–	–	–	–	12,977	–	12,977
Total comprehensive expenses for the year	–	–	–	(18,830)	9,135	(263,438)	(273,133)
At 31 March 2017	**196,288**	**1,233,312**	**–**	**(18,867)**	**9,135**	**(787,507)**	**632,361**

Note:

The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation in 2004, over the nominal value of the Company's shares issued in exchange therefor.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
(Loss)/Profit before taxation	**(279,207)**	185,035
Adjustments for:		
Finance costs	**–**	12,324
Depreciation	**92**	217
Amortisation	**7,753**	3,703
Gain on disposal of subsidiaries	**–**	(1,498)
Change in fair value of contingent consideration	**14,213**	–
Net realised loss on disposal of financial assets held for trading	**24,588**	–
Impairment loss in respect of intangible assets	**3,540**	–
Impairment loss in respect of available-for-sales investments	**12,977**	–
Impairment loss in respect of inventory	**2,750**	–
Net unrealised loss/(gain) on financial assets held for trading	**97,463**	(341,006)
Impairment loss in respect of goodwill	**95,400**	137,000
Operating cash flows before working capital changes	**(20,431)**	(4,225)
Increase in inventories	**–**	(2,750)
Increase in financial assets held for trading	**(17,806)**	(81,275)
Increase in accounts receivables	**(14,883)**	(8,039)
Decrease/(increase) in prepayments, deposits and other receivables	**9,749**	(24,359)
Increase in accounts payable	**33,500**	449
Increase/(decrease) in other payables and accruals	**738**	(9,385)
Decrease/(increase) in deferred income	**(1,889)**	2,107
Cash used in operations	**(11,022)**	(127,477)
Net cash used in operating activities	**(11,022)**	(127,477)
Cash flows from investing activities		
Purchase of property, plant and equipment	**–**	(200)
Purchase of intangible assets	**–**	(4,850)
Acquisition of a subsidiary	**(58,433)**	(80,000)
Deposit paid for acquisition of a subsidiary	**–**	(20,000)
Cash outflow arising on disposal of subsidiaries	**–**	(62)
Purchase of available-for-sale investments	**(51,102)**	–
Increase in prepayment for film rights	**(29,000)**	–
Net cash used in investing activities	**(138,535)**	(105,112)

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Cash flows from financing activities		
Repayment of promissory notes	–	(55,800)
Transaction cost on open offer	–	(605)
Proceeds from issue of shares pursuant to the open offer	–	480,881
Net cash generated from financing activities	–	424,476
Net (decrease)/increase in cash and cash equivalents	**(149,557)**	191,887
Cash and cash equivalents at the beginning of the year	**238,292**	46,424
Effect of foreign exchange rate changes, net	**257**	(19)
Cash and cash equivalents at the end of year	**88,992**	238,292
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**88,992**	238,292

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

1. CORPORATE INFORMATION

China National Culture Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 27 August 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Office Unit 403, 4th floor, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are provision of the advertising media services, e-commerce, film production and distribution business.

The consolidated financial statements are prepared in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

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

(a) Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
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 HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

(a) Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to HKAS 1 Disclosure Imitative

The Group has applied the amendments to HKAS 1 Disclosure Imitative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from the disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendment reiterate that an entity should consider providing addition disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. The application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

(b) New and revised standards and interpretations issued but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15 and clarifications to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]
HK(IFRIC) Interpretation 22	Foreign Currency Transaction and Advance Consideration[2]
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]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfer of Investment Properties[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for accounting periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for accounting periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for accounting periods beginning on or after 1 January 2019, with earlier application permitted.
4 No mandatory effective date but is available for early adoption.
5 Effective for accounting periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors of the Company anticipate that the application of the above new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), which collective term includes all applicable individual Hong Kong Financial Reporting Standard ("HKFRS"), Hong Kong Accounting Standard ("HKAS") and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rule") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets held for trading and available-for-sale investments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefits arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirers previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger that an operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash generated unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(i) advertising income, on a straight-line basis over the period during the advertisement is displayed;

(ii) on-line advertising and media related service income is recognised when the service is rendered;

(iii) interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

(iv) movie production and related income is recognised when the service is rendered;

(v) membership fee is recognised on a time proportion basis; and

(vi) sales of products over the internet are recognised when the products are delivered and title has passed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Borrowing costs

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

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset 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 property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follow:

Leasehold improvement	Over the terms of lease or 3 years, whichever is shorter
Motor vehicles	20%
Furniture, fixtures and equipment	20%

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Impairment of tangible assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Film rights

Prepayment under film cooperation agreements are transferred to film rights upon completion of production of the related films.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

Financial assets

The Group’s financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either (i) held for trading, (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 5.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL. The Group designated certain listed equity securities in Hong Kong as AFS financial assets on initial recognition of those items.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to its contract customers and 180 days for advertising customers, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Financial liabilities at amortised cost

Financial liabilities, including accounts payable, consideration payable, other payables and accruals, are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent assets and liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Segment information

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services and the methods used to distribute the products or provide the services. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

For the purposes of these financial statements, related parties include a person and entity as defined below:

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

(vii) a person identified in (a)(i) has significant voting power in 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.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Available-for-sale investments	**47,260**	–
Financial assets at fair value through profit or loss	**355,216**	459,461
Loans and receivables (including cash and cash equivalents)	**141,910**	301,997
	544,386	761,458
Financial liabilities		
Amortised cost	**160,964**	86,190

b. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other equity price risk), credit risk and liquidity risk. The Group's and overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

Market risk

(i) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

4. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

***Market risk** (Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group did not expose to significant fair value interest rate risk as the Group did not have any interest-bearing borrowings at fixed rates. The Group did not enter into interest rate swap to hedge against its exposures to interest rate risk.

Sensitivity analysis

The directors consider that the Group's exposure to interest rate risk of bank balances, which are short term in nature, is insignificant, accordingly no sensitivity analysis is presented.

(iii) Other equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in 1 (2016: 1) industry sector quoted in the Stock Exchange of Hong Kong Limited. In addition, the Group monitors the price risk closely and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

If the prices of the respective equity instruments classified as available-for-sale instruments and financial assets held for trading had been 5% (2016: 5%) higher/lower:

Post-tax (loss)/profit for the year ended 31 March 2017 would decrease/increase by HK$14,830,000 (2016: increase/decrease by HK$19,182,000) as a result of the change in fair value of financial assets held for trading; and

Investment revaluation reserve would increase/decrease by HK$2,363,000 (2016: nil) for the Group as a result of the change in fair value of available-for-sale investments.

The Group's sensitivity to financial assets held for trading has not changed significantly from the prior year.

4. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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

The Group has concentration of credit risk as 26% (2016: 36%) and 64% (2016: 81%) of the total accounts receivable was due from the Group's largest customer and the five largest customers respectively within the e-commerce and movie segment.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date of the Group can be required to pay, are within one year or on demand (2016: within one year or on demand).

5. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 March 2017

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments:

At 31 March 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Available-for-sales investments	**47,260**	**–**	**–**	**47,260**
Financial assets held for trading	**355,216**	**–**	**–**	**355,216**
	402,476	**–**	**–**	**402,476**

At 31 March 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Financial assets held for trading	459,461	–	–	459,461

There were no transfers between Level 1 and 2 during the year.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt (which includes promissory notes). The ratio is calculated based on total debt and total assets of the Group. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratios at 31 March 2017 and 31 March 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Debt	**–**	–
Assets	**901,157**	1,095,802
Gearing ratio	**0%**	0%

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

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

(a) Income taxes

The Group is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of accounts receivable and other receivables

The aged debt profile of accounts receivable and other receivables is reviewed on a regular basis to ensure that the accounts receivable balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of receivables are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the debtors, the aged analysis of the accounts receivable balance and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivables to the statement of comprehensive income. Changes in the collectability of accounts receivable for which provisions are not made could affect our results of operations.

(c) Impairment for goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill as at 31 March 2017 was approximately HK$98,099,000 (2016: HK$175,686,000). Details of the impairment loss calculation are disclosed in Note 19.

(d) Valuation of intangible assets at the date of acquisition and estimated useful lives

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable intangible assets acquired as part of business combinations. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the useful lives of such assets. These estimations and assumptions impact the profit or loss over the useful life of the intangible asset.

8. SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, information is reported to the chief operating decision maker of the Company, based on the following operating and reportable segments:

(a) the advertising segment – provision of advertising and value-added services through mobile devices;

(b) the movie segment – trading and production of films and provision of other film related services;

(c) the e-commerce segment – sale of products over the internet.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

	Revenue		Result	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advertising	**26,745**	8,475	**2,106**	7,004
Movie	**8,500**	–	**(9,000)**	–
E-commerce	**29,377**	29,660	**146**	331
	64,622	38,135	**(6,748)**	7,335
Other revenue and unallocated gains			**944**	344,995
Corporate and other unallocated expenses			**(273,403)**	(154,971)
Finance costs			**–**	(12,324)
(Loss)/Profit before taxation			**(279,207)**	185,035
Taxation			**15,769**	(61,785)
(Loss)/Profit for the year			**(263,438)**	123,250

There were no inter-segment sales during the year (2016: Nil). Segment results represent the profit earned without allocation of central administration costs including directors' salaries, investment and other income, gain on disposal of subsidiaries, impairment loss in respect of goodwill, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advertising	**396,433**	171,930	**149,371**	105,887
Movie	**29,000**	–	**–**	–
E-commerce	**24,820**	32,148	**–**	–
	450,253	204,078	**149,371**	105,887
Unallocated	**450,904**	891,724	**119,425**	84,421
Consolidated total	**901,157**	1,095,802	**268,796**	190,308

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets held for trading and unallocated head office and corporate assets.
- all liabilities are allocated to reportable segments other than current tax liabilities, consideration payable and unallocated head office and corporate liabilities.

Other segment information

The following other segment information included in reports provided regularly to CODM, but not included in segment result.

For the year ended 31 March 2017

	Advertising HK$'000	Movie HK$'000	E-commerce HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	52	–	40	–	92
Amortisation	7,069	–	–	684	7,753
Additions to non-current assets	–	–	–	–	–
Impairment loss in respect of goodwill	–	–	–	95,400	95,400

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 March 2016

	Advertising HK$'000	Movie HK$'000	E-commerce HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	53	–	–	164	217
Amortisation	3,077	–	–	626	3,703
Additions to non-current assets	147,659	–	5,050	–	152,709
Impairment loss in respect of goodwill	–	–	–	137,000	137,000

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets, other than available-for-sale investments, by location of assets are detailed below:

	Revenue from external customer		Non-current assets	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Hong Kong	**37,877**	29,583	**31,830**	151,546
The PRC	**26,745**	8,552	**319,160**	193,268
	64,622	38,135	**350,990**	344,814

8. SEGMENT INFORMATION *(Continued)*

Revenue from its major services

The Group's revenue from its major services/products was as follows:

	2017 HK$'000	2016 HK$'000
Advertising	**26,745**	8,475
E-commerce	**29,377**	29,660
Movie production and related income	**8,500**	–
	64,622	38,135

Information about major customers

Revenue from customer of the years ended 31 March 2017 and 2016 contributing over 10% of the total revenue of the Group are as follows:

	2017 HK$'000	2016 HK$'000
Customer A – E-commerce	**10,820**	11,378
Customer B – E-commerce	**9,975**	10,599
Customer C – E-commerce	**8,582**	7,456

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2017 and 2016.

9. REVENUE, OTHER REVENUE AND OTHER GAINS OR LOSSES

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

	2017 HK$'000	2016 HK$'000
Revenue:		
Advertising	**26,745**	8,475
E-commerce	**29,377**	29,660
Movie production and related income	**8,500**	–
	64,622	38,135
Other revenue:		
Sundry income	**944**	1,146
Other gains or losses:		
Net unrealised (loss)/gain on financial assets held for trading	**(97,463)**	341,006
Net realised (loss)/gain on disposal of financial assets held for trading	**(24,588)**	1,345
Change in fair value of contingent consideration	**(14,213)**	–
Exchange gain	**83**	–
Gain on disposal of subsidiaries	**–**	1,498
Impairment loss in respect of		
– goodwill	**(95,400)**	(137,000)
– available-for-sale investments	**(12,977)**	–
– intangible assets	**(3,540)**	–
– inventories	**(2,750)**	–
	(250,848)	206,849

10. (LOSS)/PROFIT FROM OPERATION

The Group's (loss)/profit from operation is arrived at after charging:

	2017 HK$'000	2016 HK$'000
Auditors' remuneration	**650**	600
Depreciation	**92**	217
Amortisation	**7,753**	3,703
Staff costs (excluding directors' remuneration)		
– wages and salaries	**963**	746
– pension scheme contributions	**–**	30
	963	776
Minimum lease payments under operating leases:		
– land and building	**299**	320

11. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Imputed interest expense arising from promissory notes wholly repayable within five years	**–**	12,324

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

	Fees		Salaries and other benefits		Pension scheme contributions		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Executive Directors								
Ms. Sun Wei	**–**	–	**170**	120	**–**	–	**170**	120
Mr. Yan Zhilei (appointed on 24 July 2015)	**–**	–	**240**	165	**–**	–	**240**	165
Ms. Shen Lihong (resigned on 21 August 2015)	**–**	–	**–**	155	**–**	–	**–**	155
	–	–	**410**	440	**–**	–	**410**	440
Independent Non-Executive Directors								
Mr. Liu Kwong Sang	**120**	120	**–**	–	**–**	–	**120**	120
Ms. Wang Miaojun	**120**	120	**–**	–	**–**	–	**120**	120
Dr. Wan Ho Yuen Terence (resigned on 9 April 2015)	**–**	3	**–**	–	**–**	–	**–**	3
Ms. Cheung Lai Chun (appointed on 9 April 2015 and resigned on 10 May 2016)	**11**	96	**–**	–	**–**	–	**11**	96
Ms. Wang Yujie (appointed on 27 July 2016)	**65**	–	**–**	–	**–**	–	**65**	–
	316	339	**–**	–	**–**	–	**316**	339
	316	339	**410**	440	**–**	–	**726**	779

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

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2016: four) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining one (2016: one) individual was as follows:

	2017 **HK$'000**	2016 HK$'000
Wages and salaries	**108**	160
Pension scheme contributions	**5**	8
	113	168

The emolument of one (2016: one) individual with the highest emolument is within the following band:

	Number of individuals	
	2017	2016
Nil – HK$1,000,000	**1**	1

14. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the year ended 31 March 2017. Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2016. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rate applicable to the Group's companies operating in the PRC is 25% from 1 January 2008 onwards. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

14. TAXATION *(Continued)*

	2017 HK$'000	2016 HK$'000
Current tax		
Provision for the year		
– Hong Kong profits tax	–	355
– PRC enterprise income tax	2,372	445
Over provision in prior years		
– Hong Kong profits tax	(20)	–
	2,352	800
Deferred tax		
– Original and reversal of temporary difference	(18,121)	60,985
	(15,769)	61,785

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

	2017					
	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/Profit before taxation	(281,565)		2,358		(279,207)	
Tax at applicable tax rate	(46,459)	16.5	590	25.0	(45,869)	16.4
Tax effect of expenses not deductible of tax purpose	22,554	(8.0)	16	0.7	22,570	(8.1)
Tax effect of income not taxable for tax purpose	(502)	0.2	–	–	(502)	0.2
Tax effect of tax losses not recognised	4,088	(1.5)	–	–	4,088	(1.5)
Tax effect of deductible temporary difference not recognised	3,964	(1.4)	–	–	3,964	(1.4)
Over provision in prior years	(20)	0.0	–	–	(20)	0.0
Tax charge/(credit) at the Group's effective rate	(16,375)	5.8	606	25.7	(15,769)	5.6

Notes to the Consolidated Financial Statements

14. TAXATION *(Continued)*

	2016					
	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before taxation	183,256		1,779		185,035	
Tax at applicable tax rate	30,237	16.5	444	25.0	30,681	16.6
Tax effect of expenses not deductible of tax purpose	32,309	17.6	–	–	32,309	17.5
Tax effect of income not taxable for tax purpose	(61,910)	(33.8)	–	–	(61,910)	(33.5)
Tax effect of tax losses not recognised	1,110	0.6	–	–	1,110	0.6
Tax effect of temporary difference not recognised	60,266	32.9	–	–	60,266	32.6
Utilisation of tax losses previously not recognised	(671)	(0.4)	–	–	(671)	(0.4)
Tax charge at the Group's effective rate	61,341	33.4	444	25.0	61,785	33.4

15. DIVIDENDS

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

16. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2017	2016
	HK$'000	HK$'000
(Loss)/Earnings:		
(Loss)/Profit for the year and attributable to the owners of the Company	**(263,438)**	123,250

	2017	2016
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic and diluted (loss)/earnings per share	**9,814,410**	7,926,923

There were no potential dilutive shares for both years, therefore, the basic and diluted (loss)/earnings per share is the same.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Motor vehicles HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
Cost:				
At 1 April 2015	100	682	498	1,280
Additions	–	–	200	200
Disposal of subsidiaries	(87)	(682)	(257)	(1,026)
At 31 March 2016, at 1 April 2016 and 31 March 2017	13	–	441	454
Accumulated depreciation and impairment				
At 1 April 2015	89	546	264	899
Provided for the year	4	122	91	217
Eliminated on disposal of subsidiaries	(87)	(668)	(229)	(984)
At 31 March 2016 and at 1 April 2016	6	–	126	132
Provided for the year	4	–	88	92
At 31 March 2017	10	–	214	224
Net carrying amount:				
At 31 March 2017	**3**	**–**	**227**	**230**
At 31 March 2016	7	–	315	322

18. INTANGIBLE ASSETS

	Operating license HK$'000	Computer software and application HK$'000	Total HK$'000
Cost:			
At 1 April 2015	–	–	–
Additions through acquisition of subsidiaries	147,659	–	147,659
Additions	–	4,850	4,850
At 31 March 2016 and at 1 April 2016	147,659	4,850	152,509
Additions through acquisition of subsidiaries	–	103,836	103,836
Written off	–	(4,850)	(4,850)
Exchange realignment	(11,904)	(6,192)	(18,096)
At 31 March 2017	135,755	97,644	233,399
Accumulated amortisation:			
At 1 April 2015	–	–	–
Provided for the year	3,077	626	3,703
At 31 March 2016 and at 1 April 2016	3,077	626	3,703
Provided for the year	7,069	684	7,753
Written off	–	(1,310)	(1,310)
Exchange realignment	(408)	–	(408)
At 31 March 2017	9,738	–	9,738
Net carrying amount:			
At 31 March 2017	**126,017**	**97,644**	**223,661**
At 31 March 2016	144,582	4,224	148,806

18. INTANGIBLE ASSETS *(Continued)*

Note:

The operating license represented the sole and exclusive rights to operate, manage and maintain the website in the PRC for 20 years commencing on 5 August 2015 acquired during the year ended 31 March 2016. The net carrying amount will be amortised over the remaining useful life of 18.75 years (2016: 19.75 years).

Included in the computer software and application, an amount of HK$97,644,000 represented the carrying amount of an application running on the well-known communication platform to connect potential customers with food and beverages business in the PRC acquired during the year ended 31 March 2017. The directors considered that the application has an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The application will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in the Note 20.

19. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost:		
At 1 April	**711,844**	663,158
Acquisition of a subsidiary	**23,117**	48,686
Exchange realignment	**(5,304)**	–
At 31 March	**729,657**	711,844
Accumulated impairment losses:		
At 1 April	**536,158**	399,158
Impairment loss recognised for the year	**95,400**	137,000
At 31 March	**631,558**	536,158
Net carrying amount:		
At 31 March	**98,099**	175,686

19. GOODWILL *(Continued)*

Huge Leader Development Limited and its subsidiaries

As at 31 March 2017, the Group determined the recoverable amount of cash generating unit ("CGU 1") for advertising through mobile devices and retail chain engaged based on a value in use calculation. The valuation had used cash flows projection based on financial budgets approved by management which covered a 5-year period, and incorporated therein, a discount rate of 14.50%; in addition, those expected cash flows beyond 5-year period contain 2% growth rate. This growth rate is based on the industry in which the CGU 1 operates. As the recoverable amount of the CGU 1 was below its carrying amount, an impairment loss of approximately HK$95,400,000 (2016: HK$137,000,000) has been recognised in profit or loss included in other gains or losses.

Dynamic Thinker Limited

As at 31 March 2017, the Group determined the recoverable amount of cash generating unit ("CGU 2") for advertising through website based on a value in use calculation. The valuation had used cash flows projection based on financial budgets approved by management which covered a 5-year period, and incorporated therein, a discount rate of 22%; in addition, those expected cash flows beyond 5-year period contain 2% growth rate. This growth rate is based on the industry in which the CGU 2 operates.

The key assumptions used in value in use calculations for advertising are as follows:

– Budgeted market share and sales, average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations in the industry. Management believes the planned market share growth and budgeted sales over the budget period is reasonably achievable.

– Budgeted gross margin is constant over the budgeted period.

Group Wise Holdings Limited

As at 31 March 2017, the Group determined the recoverable amount of cash generating unit ("CGU 3") for advertising through marketing platform based on a value in use calculation. The valuation had used cash flows projection based on financial budgets approved by management which covered 5-year period, and incorporated therein, a discount rate of 21%.

The key assumptions used in value in use calculations for advertising are as follows:

– Budgeted market share and sales, average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations in the industry. Management believes the planned market share growth and budgeted sales over the budget period is reasonably achievable.

– Budgeted gross margin is constant over the budgeted period.

20. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and intangible assets with indefinite useful life have been allocated for impairment testing purposes to the following groups of cash generating units:

– Advertising at mobile devices and retail chain network

– Advertising at website

– Advertising at marketing platform

After recognition of impairment losses, the carrying amount of goodwill was allocated to cash generating units as follows:

	2017 HK$'000	2016 HK$'000
Advertising at mobile devices and retail chain network	**31,600**	127,000
Advertising at website	**44,761**	48,686
Advertising at marketing platform	**21,738**	–
	98,099	175,686

The carrying amount of intangible assets with indefinite useful life was allocated to advertising at marketing platform.

Advertising through mobile devices and retail chain network

The recoverable amounts of this cash-generating units are determined based on a value in use calculation which uses discounted cash flow projections based on financial budgets approved by management covering a five-year period.

The impairment loss recognised for both year entirely attributed to goodwill arising from acquisition of Huge Leader Development Limited and its subsidiaries. After the acquisition, the Group has worked with their business partners and endeavored to commence business. During the year ended 31 March 2017, the development of the business is still in progress due to economic downturn. The technician who is responsible for developing the dining apps estimated the foreseeable time to launch the business will be longer than what they had previously expected. In the opinion of the Directors, there is unexpected business risks arising from operational risk and uncertainty involved in developing the dining apps, therefore they prudently estimated a lower projected cash flow that have been incorporated in the 5-year period.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Listed investments:		
Equity securities listed in Hong Kong, at fair value (Note a)	**47,260**	–
Unlisted investments:		
Equity securities, at cost (Note b)	**26,540**	26,540
Less: Impairment loss	**(26,540)**	(26,540)
	–	–
Total	**47,260**	–

Notes:

(a) The fair value of the listed equity investments is based on the quoted market bid prices available on the Stock Exchange. During the year ended 31 March 2017, the fair value loss recognised in other comprehensive income and accumulated in investment revaluation reserve amounted to approximately HK$3,842,000 (2016: nil). Due to a significant decline in the fair value of the available-for-sale investments below its cost, an impairment loss of approximately HK$12,977,000 (2016: nil) has been recognised in profit or loss for the year.

(b) Unlisted equity securities represented the securities issued by a private company incorporated in Hong Kong. The private company is principally engaged in outdoor advertising in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair values estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

22. PREPAYMENTS FOR ACQUISITION OF FILM RIGHTS

Amount represents prepayment for profit sharing rights in films. The amount for the relevant films that are expected to broadcast or take place after twelve months from the end of the reporting period is classified as non-current assets.

23. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

	2017 HK$'000	2016 HK$'000
Deposit paid for possible acquisition of 100% equity interest in Recent Value Limited (Note a)	–	20,000

Note:

(a) During the year ended 31 March 2016, the Company entered into a sale and purchase agreement with a third party for the acquisition of the entire equity interest in Recent Value Limited for a consideration of HK$115,000,000, of which a deposit of HK$20,000,000 was paid by the Company on 23 February 2016. Recent Value Limited, through its subsidiary established in Hong Kong, is principally engaged in the provision of communication marketing platform services. For details, please refer to the Company's announcement dated 7 March 2016. The acquisition was completed in April 2016.

24. INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	–	2,750

25. FINANCIAL ASSETS HELD FOR TRADING

	2017 HK$'000	2016 HK$'000
Held-for-trading investments include:		
Equity securities listed in Hong Kong	355,216	459,461

The fair value of the listed equity investment is based on the quoted market bid price available on the Stock Exchange.

Details of its principal listed equity security is as follows:

Name of Investee company	Place of incorporation	Year	Number of share held	Percentage of interest held	Cost HK$000	Accumulated unrealised gain HK$000	Market value HK$000
China Jicheng Holdings Limited ("China Jicheng") (Stock code: 1027.HK)	Cayman Islands	2017	1,625,000,000	2.17%	14,301	304,199	318,500
		2016	325,000,000	2.17%	14,301	372,449	386,750

25. FINANCIAL ASSETS HELD FOR TRADING *(Continued)*

A brief description of the business and financial information of China Jicheng, based on its latest published annual report is as follows:

China Jicheng is engaged in investment holding while the principal subsidiaries are principally engaged in manufacture and sale of umbrellas and umbrella parts. The audited consolidated profit attributable to shareholders of China Jicheng for the year ended 31 December 2016 was approximately Renminbi ("RMB") 6 million (2015: approximately RMB25 million). At 31 December 2016, the audited consolidated net asset value of China Jicheng was approximately RMB431 million (2015: RMB425 million). As at 31 March 2017, approximately 90% (2016: 84%) of the financial assets held for trading represented investments in China Jicheng and this represented approximately 50% (2016: 43%) of the Group's net assets.

26. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name of subsidiaries	Place of Incorporation/ Registration and operation	Full paid-up share/ registered capital and number of shares	Percentage of equity interests and voting power attributable to the Company		Principal activities
			Direct	Indirect	
Beast Media Limited	Hong Kong	HK$1,000, 1,000 ordinary shares	–	100%	Investment holding
Capital Marks Limited	British Virgin Islands	US$1,000, 1,000 shares of US$1 each	100%	–	Investment holding
Dynamic Thinker Limited	British Virgin Islands	US$1, 1 share of US$1 each	100%	–	Operating website
FingerAd Media Company Limited	Hong Kong	HK$1, 1 ordinary share	–	100%	Food and beverages industry advertising business and movie production
Huge Leader Development Limited	British Virgin Islands	US$256,410, 256,410 shares of US$1 each	–	100%	Investment holding
Prospect Vantage Investment Limited	British Virgin Islands	US$100, 100 ordinary shares of US$1 each	100%	–	Investment holding
Recent Value Limited	British Virgin Islands	US$100, 100 shares of US$1 each	100%	–	Investment holding
Group Wise Holdings Limited	Hong Kong	HK$100, 100 ordinary shares	–	100%	Provision of communication marketing platform services
BP Credit Limited	Hong Kong	HK$10,000, 10,000 ordinary shares	–	100%	Inactive

27. ACCOUNTS RECEIVABLE

An ageing analysis of the accounts receivable at the end of the reporting period which based on the date of recognition of revenue, is as follows:

	2017 HK$'000	2016 HK$'000
Within 30 days	**11,376**	–
31-60 days	**1,444**	20,764
61-90 days	**2,993**	3,700
91-365 days	**23,863**	–
Over 365 days	**3,496**	329
	43,172	24,793
Less: Impairment loss in respect of accounts receivables	**(229)**	(229)
	42,943	24,564

The Group does not allow any credit period to its customers, excepts for accounts receivable arising from movie segment, there are 180 days credit period granted. The movements in impairment loss in respect of accounts receivable were as follows:

	2017 HK$'000	2016 HK$'000
At the beginning of year	**229**	229
Impairment losses recognised	**–**	–
At the end of year	**229**	229

Accounts receivables above included amounts which are past due but not impaired because there has not been a significant change in credit quality and the amounts are still considered recoverable. The ageing analysis of the Group's accounts receivable balances which are past due but not impaired is presented based on the invoice dates as follows:

	2017 HK$'000	2016 HK$'000
Over 0-30 days	**2,876**	–
Over 31-60 days	**1,444**	20,764
Over 61-90 days	**2,993**	3,700
Over 91-365 days	**23,863**	–
Over 365 days	**3,267**	100
	34,443	24,564

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**5,781**	6,780
Deposits	**114**	86
Other receivables	**9,861**	19,055
	15,756	25,921

For the year ended 31 March 2017, impairment of other receivables of approximately HK$Nil (2016: HK$550,000) has been included in the consolidated statement of profit or loss and other comprehensive income. The debtors are either lost of contact or in financial difficulties of which the directors are of the opinion that the outstanding balances were not recoverable.

29. CASH AND CASH EQUIVALENTS

At 31 March 2017, all cash and cash equivalents are denominated in HK$.

30. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable at the end of the reporting period, is presented based on the invoice dates as follows:

	2017 HK$'000	2016 HK$'000
91-365 days	**33,500**	–
181-365 days	**–**	1,150
Over 365 days	**1,184**	34
	34,684	1,184

31. CONSIDERATION PAYABLES

The balance represents the consideration payables in relation to the acquisition of Dynamic Thinker Limited and Recent Value Limited as disclosed in Note 40. The movement of consideration payables is as follows:

	2017 HK$'000	2016 HK$'000
At the beginning of the year	**80,000**	–
Acquisition of a subsidiary	**20,787**	80,000
Fair value changes	**14,213**	–
At the end of the year	**115,000**	80,000

During the year ended 31 March 2017, both profit guarantees for the acquisition of Dynamic Thinker Limited and Recent Value Limited met and according to sales and purchases agreements, amounts of HK$80,000,000 and HK$35,000,000 are payable in respect of acquisitions of Dynamic Thinker Limited and Recent Value Limited respectively.

32. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Other payables	**5,637**	497
Accruals	**2,096**	962
	7,733	1,459

33. PROVISION AND CONTINGENT LIABILITIES

(a) On 25 November 2014 and 25 December 2014, a district court civil action had commenced by a third party against the former subsidiary and the Company regarding the outstanding professional services fee amount approximately HK$769,000, HK$137,000, HK$696,000 and HK$1,945,000 respectively.

As at the date of approval of these consolidated financial statements, no decision has been made in the court proceedings. In the opinion of the law firms, the Company has valid defense against the allegation and the legal action would have any probable material adverse impact on the Group's consolidated statement of financial position. Provision in respect of such claim amounting to HK$3,547,000 was made in the consolidated financial statements.

(b) On 26 June 2015, a High Court action had commenced by a former subsidiary which is currently under the liquidation management against the former directors of the Company and the Company regarding total fund transfer amount approximately HK$50,600,000. The funds have been transferred from the former subsidiary to the Company on 18 September 2009, 19 February 2010 and 10 March 2010 have been claimed no legitimate commercial purpose or justification.

As at the date of approval of these consolidated financial statements, no decision has been made in the arbitration and court proceedings. In the opinion of the directors, the Company has valid defences, against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claim was made in the consolidated financial statements.

34. DEFERRED TAXATION

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Accelerated tax depreciation HK'000	Unrealised fair value changes on financial assets held for trading HK'000	Fair value adjustments arising from acquisition of subsidiaries HK'000	Tax losses HK'000	Total HK'000
At 1 April 2015	(17)	(3,774)	–	670	(3,121)
Acquisition of a subsidiary	–	–	(36,915)	–	(36,915)
Credit/(Charge) to profit or loss	6	(61,090)	769	(670)	(60,985)
At 31 March 2016 and 1 April 2016	(11)	(64,864)	(36,146)	–	(101,021)
Acquisition of subsidiaries	–	–	(25,959)	–	(25,959)
Credit to profit or loss	6	16,348	1,767	–	18,121
Exchange realignment	–	–	4,422	–	4,422
At 31 March 2017	**(5)**	**(48,516)**	**(55,916)**	**–**	**(104,437)**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 HK$'000	2016 HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(104,437)**	(101,021)
	(104,437)	(101,021)

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of approximately HK$21,972,000 (2016: HK$19,097,000). Tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets had not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time, or it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

At the end of the reporting period, the Group has deductible temporary difference of approximately HK$5,185,000 (2016: HK$202,000) arising from the net unrealised loss on financial assets held for trading. No deferred tax assets has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

35. SHARE CAPITAL

	Notes	Number of Shares '000	Nominal value of Shares HK$'000
Authorised:			
Shares of HK$0.01 each			
At 1 April 2015		10,000,000	100,000
Share consolidation		(5,000,000)	–
Increase in authorised share capital		45,000,000	900,000
Shares of HK$0.02 each			
At 31 March 2016, 1 April 2016 and 31 March 2017		50,000,000	1,000,000
Issued and fully paid:			
Shares of HK$0.01 each:			
At 1 April 2015		9,814,410	98,144
Share consolidation	(a) & (c)	(4,907,205)	–
Issue of shares pursuant to the open offer	(a) & (c)	4,907,205	98,144
Shares of HK$0.02 each			
At 31 March 2016, 1 April 2016 and 31 March 2017		9,814,410	196,288

Notes:

(a) On 23 July 2015, the Company passed an ordinary resolution for share consolidation, the consolidation of every two Shares of HK$0.01 each into one consolidated Share of HK$0.02 each became effective on 24 July 2015.

(b) On 4 September 2015, 4,907,205,000 Shares of HK$0.02 each were issued by way of open offer at a price of HK$0.10 each for a consideration of approximately HK$480,276,000. The excess of the issue price over the par value of the Shares issued was credited to the share premium account. For more details, please refer to the Company's announcement dated 2 September 2015.

(c) The Shares issued during the period rank pari passu with the existing Shares in all respects.

36. NON-VOTING CONVERTIBLE PREFERENCE SHARES

	Number of Shares '000	Nominal value of Shares HK$'000
Authorised:		
Non-voting convertible preference shares of HK$0.07 each		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	7,000,000	490,000
Issued and fully paid:		
Non-voting convertible preference shares of HK$0.07 each		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	–	–

37. SHARE OPTION SCHEMES

The Company operated a share option scheme which became effective on 29 August 2014 (the "Share Option Scheme") and, unless otherwise cancelled or amended, will remain in force for 10 years from that date for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group.

For the year ended 31 March 2017 and 2016, the Group did not grant any share options to certain director, employees and consultants of the Group under the Share Option Scheme.

The purpose of the 2014 Share Option Scheme is to reward Participants who have contributed to the Group and to provide incentives to Participants to work towards the success of the Company.

The Directors may at their absolute discretion grant Options to (a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any shareholder of any member of the Group; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, to be determined absolutely by the Board. If Options are granted to Participants, regards will be had as to, inter alia, the relationship of the grantee to the Group, the length of time of relationship, the contribution made or to be made to the Group, etc.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is equivalent, upon their exercise, to 10% of total number of shares of the Company in issue as at 10 September 2015. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

37. SHARE OPTION SCHEMES *(Continued)*

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

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and, commences after a certain period and, ends on a date which is not later than 10 years from the date of grant.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and (iii) the nominal value of a share of the Company.

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

At the date of approval of these financial statements, the total number of shares available for issue under the Scheme is 981,441,000 shares representing 10% of the total number of issued shares of the Company on 10 September 2015.

No share option was granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme during the years ended 31 March 2017 and 2016.

38. RESERVES

The Group

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

The Company

The capital reserve of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation in 2004, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Law (2004 revision) of the Cayman Islands, the Company's share premium account and capital reserve may be distributed to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

39. DISPOSAL OF SUBSIDIARIES

On 24 March 2016, the Group completed the disposal of 100% of the equity interests in Wing Hong Investment Limited (the "Disposal").

Assets and liabilities recognised at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	42
Deposit, prepayments and other receivables	51
Bank balances and cash	62
Accrued expenses and other payables	(764)
Loan from directors	(1,098)
Net liabilities disposed of	(1,707)
Consideration received	
Consideration receivable	8
	8
Gain on disposal	
Consideration receivable	8
Net liabilities disposed of	1,707
Cumulative exchange differences in respect of the net assets of subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	(217)
Gain on disposal	1,498
Net cash outflow arising on disposal:	
Cash consideration	–
Less: cash and cash equivalent disposed of	(62)
	(62)

Notes to the Consolidated Financial Statements

40. ACQUISITION OF A SUBSIDIARY

For the year ended 31 March 2017

On 15 April 2016, the Company acquired 100% of the issued share capital of Recent Value Limited for a consideration of HK$115,000,000 settled in cash. The amount of HK$80,000,000 paid during the year. The remaining balance will be paid in cash after the determination of the audited net profit after tax of Recent Value Limited for the financial year from 15 April 2016 to 14 April 2017. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$23,117,000. Recent Value Limited and its subsidiary principally engaged in provision of communication marketing platform services.

Pursuant to the sale and purchase agreement, the profit guarantee for Recent Value Limited's total net profit after tax shall not be less that HK$5,000,000 for the year ended 14 April 2017. If the net profit for the financial year is less than the guaranteed net profits indicated above, the balance of consideration payable in respect of that period shall be reduced on a pro rata basis and such consideration to be delivered for such financial year will be reduced according accordingly. The fair value of the profit guarantees of Recent Value Limited was approximately HK$14,213,000 at the date of acquisition.

The fair values of the identifiable assets and liabilities of the Recent Value Limited as at the date of acquisition were as follows:

	HK$'000
Intangible assets	103,836
Accounts receivable	3,795
Bank balances and cash	1,567
Other payables and accruals	(5,569)
Deferred tax liabilities	(25,959)
Total identifiable net assets at fair value	77,670
Goodwill on acquisition	23,117
	100,787
Consideration was satisfied by:	
Cash	115,000
Contingent consideration	(14,213)
	100,787
An analysis of the cash flows in respect of the acquisition is as follows:	
Cash and cash equivalent acquired	1,567
Cash consideration paid	(80,000)
Deposit paid for acquisition of a subsidiary	20,000
Net cash outflow of cash and cash equivalents	(58,433)

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 March 2017 *(Continued)*

Goodwill arose on the acquisition of Recent Value Limited because of expected synergies, revenue growth and further market development in advertising through marketing perform. None of the goodwill arising on acquisition is expected to be deductible for tax purposes.

Had the acquisition been affected on 1 April 2016, the revenue of the Group would have been approximately HK$64,622,000 and the loss for the year would have been approximately HK$263,438,000. The pro forma financial information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been completed on 1 April 2016 nor is it intended to be a projection of future profits.

For the year ended 31 March 2016

On 4 November 2015, the Company acquired the entire issued share capital of Dynamic Thinker Limited for a consideration of HK$160,000,000. The amount of HK$80,000,000 paid in cash during the year ended 31 March 2016. The remaining balances will be paid in cash after the determination of the audited net profit after tax of Dynamic Thinker Limited for the financial year from 4 November 2015 to 3 November 2016. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$48,686,000. Dynamic Thinker Limited is principally engaged in the provision of online advertising service in the People's Republic of China.

Pursuant to the sales and purchase agreement, the profit guarantee for Dynamic Thinker Limited's total net profit after tax shall not be less than HK$5,000,000 for the year ended 3 November 2016. If the net profit for the financial year is less than the guaranteed net profits indicated above, the balance of the consideration payable in respect of that period shall be reduced on a pro rata basis and such consideration to be delivered to the Vendor for such financial year will be reduced accordingly. The fair value of the profit guarantees of Dynamic Thinker Limited was HK$nil at the date of acquisition.

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 March 2016 *(Continued)*

The fair values of the identifiable assets and liabilities of the Dynamic Thinker Limited as at the date of acquisition were as follows:

	HK$'000
Intangible assets	147,659
Prepayments, deposits and other receivables	802
Other payables and accruals	(42)
Tax payables	(190)
Deferred tax liabilities	(36,915)
Total identifiable net assets at fair value	111,314
Goodwill on acquisition	48,686
	160,000
Consideration was satisfied by:	
Cash and cash equivalent	160,000
An analysis of the cash flows in respect of the acquisition is as follows:	
Cash and cash equivalent acquired	–
Cash consideration paid	(80,000)
Net cash outflow of cash and cash equivalents	(80,000)

Goodwill arose on the acquisition of Dynamic Thinker Limited because of expected synergies, revenue growth and future market development in advertising through website. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Had the acquisition been effected on 1 April 2015, the revenue of the Group would have been approximately HK$38,941,000, and the profit for the year would have been approximately HK$123,820,000. The pro forma financial information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been completed on 1 April 2015 nor is it intended to be a projection of future profits.

Notes to the Consolidated Financial Statements

41. OPERATING LEASE COMMITMENTS

The Group leases office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**168**	168
In the second to fifth years inclusive	**56**	224
	224	392

42. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
Contracted, but not provided for:		
License fee	**3,024**	4,285
Acquisition of film rights	**39,000**	–
	42,024	4,285

43. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2017 **HK$'000**	2016 HK$'000
Salaries and other short-term employee benefits paid to key management personnel	**–**	779
Finance cost incurred from promissory note	**–**	11,640
Settlement of promissory note	**–**	50,000

44. RETIREMENT BENEFITS SCHEME

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Interest in subsidiaries	**621,446**	403,350
Deposit paid for the acquisition of a subsidiary	**–**	20,000
	621,446	423,350
Current assets		
Prepayments, deposits and other receivables	**645**	14,742
Cash and cash equivalents	**40,966**	210,993
	41,611	225,735
Total assets	**663,057**	649,085
EQUITY		
Capital and reserves		
Share capital	**196,288**	196,288
Reserves	**347,344**	368,411
Total equity	**543,632**	564,699
LIABILITIES		
Current liabilities		
Consideration payable	**115,000**	80,000
Other payables and accruals	**878**	839
Provision	**3,547**	3,547
	119,425	84,386
Total liabilities	**119,425**	84,386
Total equity and liabilities	**663,057**	649,085
Net current (liabilities)/assets	**(77,814)**	141,349
Total assets less current liabilities/net assets	**543,632**	564,699

Approved and authorised for issue by the Board of Directors on 28 June 2017

Sun Wei
Director

Yan Zhilei
Director

The accompanying notes form an integral part of these financial statements.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

The movements of the Company's reverse during the year

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	851,180	107,648	(842,911)	115,917
Issue of share under open offer	382,737	–	–	382,737
Transaction cost on open offer	(605)	–	–	(605)
Loss and total comprehensive loss for the year	–	–	(129,638)	(129,638)
At 31 March 2016 and at 1 April 2016	1,233,312	107,648	(972,549)	368,411
Loss and total comprehensive loss for the year	–	–	(21,067)	(21,067)
At 31 March 2017	1,233,312	107,648	(993,616)	347,344

46. COMPARATIVES

Certain comparative amounts has been reclassified to conform with the current year's presentation. These classification have no effects on the reported financial position, financial performance or cash flows of the Group.

47. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2017.

Summary of Financial Information

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

RESULTS

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**64,622**	38,135	20,429	2,951	6,677
(Loss)/Profit from operations	**(279,207)**	197,359	(140,085)	(163,495)	(70,523)
Finance costs	**–**	(12,324)	(17,280)	(26,418)	(17,793)
(Loss)/Profit before tax	**(279,207)**	185,035	(157,365)	(189,913)	(88,316)
Taxation	**15,769**	(61,785)	(2,629)	(1,814)	–
(Loss)/Profit after tax	**(263,438)**	123,250	(159,994)	(191,727)	(88,316)
Discontinued operations	**–**	–	–	(11,974)	(2,599)
(Loss)/Profit for the year	**(263,438)**	123,250	(159,994)	(203,701)	(90,915)
Attributable to:					
Owners of the Company	**(263,438)**	123,250	(159,994)	(203,701)	(89,881)
Non-controlling interests	**–**	–	–	–	(1,034)
(Loss)/Profit for the year	**(263,438)**	123,250	(159,994)	(203,701)	(90,915)

ASSETS AND LIABILITIES

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**901,157**	1,095,802	365,313	415,458	586,686
Total liabilities	**(268,796)**	(190,308)	(63,543)	(230,957)	(228,104)
Net assets	**632,361**	905,494	301,770	184,501	358,582