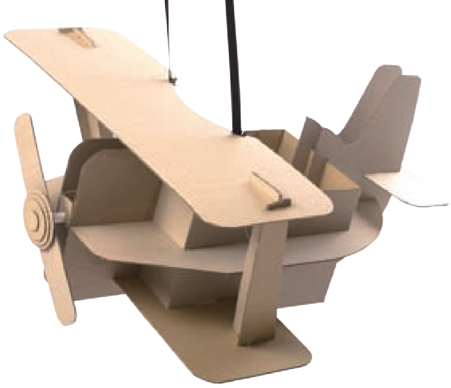
COME SURE

COME SURE Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 00794

2017 ANNUAL REPORT



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. CHONG Kam Chau *(Chairman)*
Mr. CHONG Wa Pan *(Chief Executive Officer and President)*
Mr. CHONG Wa Ching

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU On Ta Yuen
Ms. TSUI Pui Man
Mr. LAW Tze Lun

LEGAL ADVISERS TO THE COMPANY

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29 Queen's Road Central
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COMPANY WEBSITE ADDRESS

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COMPANY SECRETARY

Ms. BOK Yuk Wan

AUTHORISED REPRESENTATIVES

Mr. CHONG Wa Pan
Mr. CHONG Wa Ching

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE UNDER PART XI OF THE COMPANIES ORDINANCE

Mr. CHONG Wa Ching

MEMBERS OF AUDIT COMMITTEE

Mr. LAW Tze Lun *(Chairman)*
Mr. CHAU On Ta Yuen
Ms. TSUI Pui Man

CORPORATE INFORMATION

MEMBERS OF REMUNERATION COMMITTEE

Ms. TSUI Pui Man *(Chairman)*
Mr. CHAU On Ta Yuen
Mr. LAW Tze Lun
Mr. CHONG Wa Pan

MEMBERS OF NOMINATION COMMITTEE

Ms. TSUI Pui Man *(Chairman)*
Mr. CHAU On Ta Yuen
Mr. LAW Tze Lun
Mr. CHONG Wa Pan

PRINCIPAL BANKERS

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Turnover	769,248	899,590	921,231	815,127	**845,546**
Cost of goods sold	(607,761)	(695,378)	(714,611)	(645,015)	**(660,684)**
Gross profit	161,487	204,212	206,620	170,112	**184,862**
Other income	3,484	9,458	14,160	9,711	**8,916**
Other gains and losses	28,535	11,959	20,085	(55,848)	**(3,793)**
Selling expenses	(37,935)	(53,274)	(47,607)	(42,310)	**(40,869)**
Administrative expenses	(98,725)	(109,025)	(117,854)	(114,349)	**(104,653)**
Other operating expenses	(13,426)	(13,664)	(6,141)	(15,734)	**(2,480)**
Share-based payments	(167)	–	–	–	**–**
Profit (loss) from operations	43,253	49,666	69,263	(48,418)	**41,983**
Finance costs	(7,189)	(9,004)	(10,254)	(11,941)	**(12,275)**
Profit (loss) before tax	36,064	40,662	59,009	(60,359)	**29,708**
Income tax expense	(19,233)	(6,620)	(9,424)	(10,174)	**(13,193)**
Profit (loss) for the year	16,831	34,042	49,585	(70,533)	**16,515**

ASSETS AND LIABILITIES

	As at 31 March				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Non-current assets	551,310	546,684	608,906	601,784	**568,539**
Current assets	535,162	720,743	787,888	639,839	**761,956**
Total assets	1,086,472	1,267,427	1,396,794	1,241,623	**1,330,495**
Non-current liabilities	(30,930)	(25,402)	(21,282)	(17,358)	**(13,811)**
Current liabilities	(472,003)	(623,098)	(718,990)	(686,499)	**(794,430)**
Total liabilities	(502,933)	(648,500)	(740,272)	(703,857)	**(808,241)**
Net assets	583,539	618,927	656,522	537,766	**522,254**
Equity attributable to the owners of the Company	568,414	606,706	648,615	535,586	**523,329**
Non-controlling interest	15,125	12,221	7,907	2,180	**(1,075)**
Total equity	583,539	618,927	656,522	537,766	**522,254**

PRODUCTION AND REGIONAL EXPANSION

The commencement of Fujian Plant's operation in August 2016 expanded the Group's production capacities, as well as its regional business. Driven by the uplifted industrial standard, the market demand for quality paper packaging products rises. Come Sure Group will continue to enhance its production efficiency and quality product mix, to strengthen its competitiveness and grasp the opportunities to increase its market share.

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS

On behalf of our board (the "Board") of directors (the "Directors") of Come Sure Group (Holdings) Limited (the "Company"), I hereby present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017 (the "Year"). On behalf of the Board, I would also like to express my heartfelt gratitude to all the shareholders of the Company (the "Shareholders") and friends from various communities for their support to the development of the Group.

OVERVIEW

During the second half of the Year, the raw materials prices in corrugated packaging products industry climbed significantly, and caused rising cost pressure on corporations in the industry, resulting the competition between enterprises to become more severe. However, with the Group's solid foundation on business operation established over the years, by means of cost control measures, effective collaboration with the suppliers, as well as the recent internal business restructuring, the Group managed to sustain its positive development from the challenging business environment.

BOOSTED DEMAND OF QUALITY PAPER PRODUCTS DUE TO ENHANCED INDUSTRIAL STANDARDS

During the Year, since the People's Republic of China (the "PRC" or "China") government continued the industrial integration and further carried out stringent environmental policy in the paper packaging industry, the phasing out of the outdated capacities was speeded up, and the supply-demand of the industry was thus rebalanced. As a leading company with years of experience accumulated, to seize this golden opportunity, we had been making greater effort in developing the Group's production technologies, especially for high value-added products. Meanwhile, upon the commencement of operation of the Fujian Plant, the Group's production capacities and efficiencies were also improved. The Group was able not only to meet the increased market demand, but also to turn around into profit with an increase in revenue of 3.7%.

CHAIRMAN'S STATEMENT

CLOSE RELATIONSHIPS WITH MAJOR SUPPLIERS TO SECURE SUFFICIENT SUPPLY OF RAW MATERIALS

To counter the increasing cost pressures in the industry during the Year, in addition to focusing on strategic internal cost controls, the Group continued to maintain mutually supportive relationship with the suppliers. With our ongoing development in structural packaging design and quality offset printing, the Group owns a good reputation in the industry and has established long term collaboration with the major suppliers, enabling the Group to obtain stable supply of raw material, as well as to grasp opportunities from the rising market demand and prices for paper packaging products, in order to minimize the external impact on production cost caused by the rising paper prices. The Group therefore recorded encouraging results during the Year, with gross profit increased by 8.7% to approximately HK$184.9 million and gross profit margin of 21.9%.

SOCIAL RESPONSIBILITY

In line with the PRC's increasingly stringent environmental policy, as well as the continuously enhancing industrial standards in the retail market, the Group has been strengthening its social responsibility, with dedication to providing quality and environmental friendly paper and packaging products for years. Our products meet various environmental management standards, not limited to national level such as ISO9001, ISO14001 and QC080000, but also other international standards including European Restrictions of Hazardous Substances (RoHs) and Waste Electrical and Electronic Equipment (WEEE).

PROSPECT

The global corrugated packaging market volume is expected to reach USD67 billion by the end of 2017, according to Smithers Pira's Report on 2017 Global Corrugated Paper Packaging Industry, with capacity growth of approximately 70% contributed from the PRC market. The paper packaging industry currently trends toward demand supply balancing, owing to phasing out of outdated capacities, as well as the rising demand for quality paper packaging products under the rapid development of e-commerce. Taking advantage of our well-recognized reputation in the market and devotion to high production standards, we are optimistic to seize the existing and potential golden opportunities to further enlarge our market shares in the paper packaging industry.

CHAIRMAN'S STATEMENT

The Group has been focusing on monitoring and improving the production efficiency between its factories. The Group's new Fujian Plant has initially expanded the Group's regional market, with considerable contribution to the Group's results within the eight months' operation since commencement. The Group believes the enhanced production capacities will further cope with the surge in market demand.

To promote long-term sustainable development, the Group has been providing a variety of quality value-added corrugated paper packaging products and services, as well as strengthening its offset printing business, constantly meeting customers' satisfaction. Meanwhile, to attain stable growth in the profit margin, the Group will continue its stringent cost and risk control, as well as to keep the close collaboration with its suppliers. We will undoubtedly endeavor to maintain the Group's profitability and strong financial base, and will be striving to maximize the returns for the Shareholders.

ACKNOWLEDGEMENT

I would like to express my appreciation on behalf of the Board, to the investors, customers, business partners and government officials for the support and trust over the years. I also extend my gratitude to all the management and staff of the Group for their loyalty and contribution they have bestowed to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Year, the PRC continued its slow growth pace in the stage of economic structure transformation with new momentum. According to the National Bureau of Statistics of China, the gross domestic product (the "GDP") growth rate recorded 6.7% during the year of 2016 (2015: 6.9%), and has been expected to be stabilized at around 6.5% in 2017. The economic restructuring in China gradually showed results, which led consumption to become the primary driver of the PRC's economy.

As emphasized by the Premier of the State Council of the PRC, Mr. Li Keqiang, at the Fifth Session of the 12th National People's Congress in March 2017, China further deepened the supply-side structural reform as well as strengthened the environmental protection requirement during the Year, most industries thereby entered into a rapid de-stocking stage. In relation to paper and packaging industries, suppliers with outdated and inefficient capacities shrank faster than expected. Yet, China was experiencing changes in customer behavior, and pursuing higher standard goods, which enhanced the industrial standard of the retail market in the PRC. Also, online shopping consumption continued to grow significantly during the Year, which largely boosted the demand for quality corrugated paper packaging products. According to the Annual Report on China Paper and Cardboard Container Industry 2016, the aggregated production volume of corrugated paper-board in the PRC remained stable in 2016, amounting to approximately 402.76 million tons, despite numerous suppliers being phased out during last year, proven supply and demand were further rebalanced and enhanced under the emerging consumer-driven society pattern.

On the other hand, paper price hit another peak during the second half of the Year, primarily resulted from the cost climbing of raw materials and transportation, as well as fluctuations in the exchange rate of Renminbi ("RMB"). Correspondingly, corrugated paper price was greatly elevated, especially year-on-year ("YoY") by 30.0% and 58.4% in December 2016 and January 2017 respectively, according to the research report by China International Capital Corporation Limited ("CICC"). Nevertheless, market leaders who have close relationship with suppliers have their competitive edge. In addition, with its strong capacities and quality production standards, the cost increments would be more possibly transferred to the customers, hence managing to maintain their profitabilities.

BUSINESS REVIEW

Benefit from the Group's effective business integration last year, the Group well grasped the opportunities from the positive development of the industry, and demonstrated a turn from loss to profit during the Year. While maintaining a stable gross profit margin of approximately 21.9% during the Year (2016: approximately 20.9%), the Group attained revenue of approximately HK$845.5 million, increased by approximately 3.7% as compared to approximately HK$815.1 million for the year ended 31 March 2016. The Group recorded a net profit of approximately HK$16.5 million for the Year (2016: net loss of approximately HK$70.5 million).

Since the Group's new factory plant in Fujian ("Fujian Plant") commenced operation in August 2016, it successfully contributed revenue of approximately HK$47.5 million to the Group. Fujian Plant mainly focuses on producing corrugated paper board, which the gross profit margin of which is relatively lower as compared to printed cartons, yet it effectively enhanced the Group's production capacity, explored other product categories and regional markets, and satisfactorily expanded the revenue sources of the Group. The Group will continue to closely monitor the development of the efficiency and capacity in Fujian Plant's production lines in order to boost its contribution to the Group's revenue and profit.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

During the Year, the Group was able to maintain a stable sales volume and gross profit level of corrugated paper packaging products under severe cost pressure among the industry, with the climbed up paper cost in the market during the second half of the Year. The Group had established positive reputation and sustainable loyal customer base through its quality paper products and value added service, giving the Group capacity to transfer the raised cost to the customers effectively by marking up the product price. Moreover, being one of the leading companies in the industry, the Group sustained mutually supportive relationships with the suppliers through their long term and close collaborations, allowing the Group to enjoy a stable supply despite of the fluctuation in the cost and supply of raw materials. With sufficient raw material supply as advantage, the Group grasped opportunities from the rising demand of quality printed cartons and corrugated products, and managed to secure the gross profit margin against the fluctuating paper cost during the Year.

RESULT OF OPERATION

	2017		2016	
	HK$'000	**(%)**	HK$'000	(%)
Paper-based packaging				
PRC domestic sales	**625,269**	**74.3**	553,710	68.3
Domestic delivery export	**182,619**	**21.7**	224,561	27.7
Direct export	**33,271**	**4.0**	32,228	4.0
	841,159	**100.0**	810,499	100.0
Properties investment				
Rental income	**4,387**		4,628	
Total revenue	**845,546**		815,127	
Gross profit margin		**21.9**		20.9
Net profit margin		**2.0**		N/A*

* As a net loss was generated in 2016, the net profit margin calculation was irrelevant.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Benefit from the long-anticipated supply-demand rebalancing, as well as consumers' expectations and industrial standards, the Group managed to attain a considerable sales volume during the Year with the reputation established over years. In response to the paper cost rise, the Group achieved the price adjustment by taking advantage of its competitive quality products and long-term solid relationship with customers. In addition, Fujian Plant operated smoothly as expected throughout the Year and gained more attractive orders to the Group. The Group's revenue hence recorded an increase by approximately 3.7% to approximately HK$845.5 million, from approximately HK$815.1 million for the last corresponding year.

Guangdong operation

The Group continues its efforts in leveraging the advantage of high value-added business, including the structural-design printed cartons and corrugated products, in order to attract more orders from high-end customers. The corresponding revenue from printed cartons and other corrugated products maintained at approximately HK$714.9 million with a slightly increase in comparing with approximately HK$714.0 million for the last corresponding year.

The relieved overcapacity situation in paper packaging industry gave rise to the demand of corrugated products during the Year. After finishing the integration process between factories in Shenzhen and Huidong during the Year, with the Group's enhanced efficiency, Huidong operation is quickly resumed and has received more orders, hence the revenue from Guangdong operations manage to maintain stable at approximately HK$761.6 million during the Year (2016: approximately HK$760.4 million).

Jiangxi operation

The Group spared no effort in tapping the regional potential for the operation in Jiangxi. During the Year, the revenue generated from the operations in Jiangxi was approximately HK$32.1 million (for the year ended 31 March 2016: approximately HK$50.1 million).

Fujian operation

Fujian Plant's corrugated paper board-based business commenced operation in August 2016, which contributed a revenue of approximately HK$47.5 million to the Group during the Year. The Group will continue to closely review the efficiency in its production line in order to further facilitate its capability expansion.

Properties investment

The revenue generated from the properties investment business slightly decreased to approximately HK$4.4 million for the Year (2016: approximately HK$4.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

In line with the increase in revenue, the Group's gross profit recorded approximately HK$184.9 million during the Year, being an increase of approximately 8.7% from approximately HK$170.1 million for the last corresponding year. Since the paper package industry of the PRC had been hit by a massive wave of paper price rise over the second half of the Year, the Group had experienced the unavoidable cost pressure rise. On the other hand, Fujian Plant expanded the sales volume of the Group since its operation commenced during the Year whereas its corrugated paper board business was of relatively lower gross profit margin. Nonetheless, the Group tightened its internal cost control management and spare no effort to transfer the rising raw material cost to customers in resisting the burden from external cost. Meanwhile, being equipped with advanced technology, the Group sustainably provided quality and value-added products with higher profitability. Therefore, the Group's gross profit margin increased to approximately 21.9% during the Year, as compared to approximately 20.9% for the last corresponding year.

Guangdong operation

Gross profit generated from the operation in Guangdong, including Shenzhen, continued to contribute the most to the Group. Enhanced efficiency between the production lines began to show results owing to the business integration last year. Therefore, the gross profit generated from Guangdong operation increased to approximately HK$168.1 million during the Year (2016: approximately HK$159.0 million), while its gross profit margin was recorded at approximately 22.1% (2016: approximately 20.9%).

Jiangxi operation

The gross profit and gross margin attributable to the Jiangxi operation of the Group were approximately HK$4.3 million and 13.3%, respectively, for the Year. The gross profit and gross margin attributable to the Jiangxi operation were approximately HK$6.6 million and 13.2%, respectively, for the year ended 31 March 2016.

Fujian operation

Fujian Plant mainly operates in the corrugated paper board business, which generates a lower gross profit level as compared to printed cartons business. Yet, during the 8-month operation since its commencement, the Group has achieved a gross profit and gross margin of approximately HK$8.2 million and 17.3%, respectively, from Fujian operation for the Year, which proves that it has great potentials for contributing profit to the Group in the long term.

Properties investment

The cost of rental business represented the direct outgoings of the investment properties.

The gross profits of rental business were approximately HK$4.3 million and HK$4.5 million for the Year and the year ended 31 March 2016, respectively.

SELLING AND ADMINISTRATIVE EXPENSES

During the Year, attributed to the Group's stringent cost control, the selling expenses declined to approximately HK$40.9 million (2016: approximately HK$42.3 million), and the administrative expenses reduced to approximately HK$104.7 million, representing a decrease of approximately 8.4% from approximately HK$114.3 million for the last corresponding year.

OTHER OPERATING EXPENSES

Other operating expenses during the Year significantly decreased to approximately HK$2.5 million. The Group's other operating expenses for the corresponding period of 2016 was approximately HK$15.7 million, mainly represented the one-off impairment loss for the profit guarantee receivable of Think Speed Group Limited, a non-wholly owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE COSTS

The finance costs of the Group maintained stable at approximately HK$12.3 million for the Year (2016: approximately HK$11.9 million), which mainly occurred from bank loans for general working capital and capital expenditure.

NET PROFIT AND DIVIDEND

Benefited from the stringently prudent internal cost management and enhanced capacities after the business integration is completed, the Group attained net profit for the Year of approximately HK$16.5 million (for the year ended 31 March 2016: a net loss of approximately HK$70.5 million). Correspondingly, the net profit margin for the Year was 2.0% (for the year ended 31 March 2016: a net loss of 8.7%).

The Group's net profit is mainly attributed by the decreased loss from other gains and losses and other operating expense, of approximately HK$3.8 million and HK$2.5 million, respectively, representing a great improvement as compared to approximately HK$55.8 million and HK$15.7 million, respectively, for the year ended 31 March 2016.

The basic and diluted earnings per share for the Year was HK5.07 cents (2016: loss per share of HK18.22 cents). The Board does not propose any payment of final dividend for the Year.

CAPITAL STRUCTURE

During the Year, the Group has adopted a prudent treasury policy, and the current ratio (calculated as current assets divided by current liabilities) as at 31 March 2017 was approximately at the level of 0.96 (as at 31 March 2016: approximately at the level of 0.93).

The Company's issued share capital as at 31 March 2017 was HK$3,623,000 divided into 362,300,000 shares of HK$0.01 each.

WORKING CAPITAL

	2017 Number of days	2016 Number of days
Trade and bills receivable	**89**	94
Trade and bills payable	**71**	64
Inventories	**45**	42
Cash conversion cycle*	**63**	72

* Trade and bills receivable turnover days + Inventories turnover days – Trade and bills payables turnover days

The Group's revenue of last year was dragged down by its strategic business integration in-between its production lines and started to return to the normal level during the Year upon completion. In line with the increase in revenue, the trade and bills receivables as at 31 March 2017 was increased to approximately HK$214.8 million from approximately HK$198.1 million as at 31 March 2016, while the trade and bills receivables turnover days was shortened to 89 days as at 31 March 2017 from 94 days as at 31 March 2016.

The Group's trade and bills payable turnover was 71 days for the Year, which has increased by 7 days from 64 days of the last corresponding year, reflecting the Group's solid and steady relationship with its suppliers. The trade and bills payables rose to approximately HK$158.1 million as at 31 March 2017 from approximately HK$99.1 million as at 31 March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

WORKING CAPITAL (Continued)

Given the Group's credible sales volume during the Year, and its Fujian Plant is still going through its initial development stage, the inventories turnover days for the Year has slightly slowed down. As at 31 March 2017, the Group's turnover days for inventories gently increased to 45 days for the Year, as compared to 42 days of the last corresponding year. The level of inventories as at 31 March 2017 climbed by 40.1% to approximately HK$95.4 million from approximately HK$68.1 million as at 31 March 2016. The increase was mainly due to the commencement of operation of Fujian Plant to maintain certain stock level for production and increase in raw material costs during December 2016, January 2017 and February 2017, both of which contributed part of the increment of stock value as of 31 March 2017.

The cash conversion cycle of the Group was decreased from 72 days for the year ended at 31 March 2016 to 63 days for the Year, mainly due to the increase in the trade and bills payable turnover days, proving that the operation efficiency was further enhanced and the liquidity risk was correspondingly reduced.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 March	
	2017	2016
Current ratio	**0.96**	0.93
Gear ratio	**37.0%**	36.3%

During the Year, operation cash and bank borrowings remained to be the principal sources of working capital of the Group. In terms of the Group's available financial resources as at 31 March 2017, the bank balances and cash amounted to approximately HK$250.4 million (as at 31 March 2016: approximately HK$121.9 million), excluding pledged deposits of approximately HK$145.6 million and the unused banking facilities amounted to approximately HK$390.3 million as at 31 March 2017. The Group's cash and cash equivalents were mostly denominated in Hong Kong dollars ("HKD") and RMB.

The current assets and current liabilities of the Group as at 31 March 2017 amounted to approximately HK$762.0 million and approximately HK$794.4 million, respectively, as compared to approximately HK$639.8 million and HK$686.5 million of the last corresponding year. The current ratio (current assets divided by current liabilities) as at 31 March 2017 was approximately 0.96 (as at 31 March 2016: approximately 0.93).

As at 31 March 2017, all the bank borrowings were denominated in HKD, carrying floating interest rates and were secured. As at 31 March 2017, the total outstanding bank borrowings increased to approximately HK$484.7 million from approximately HK$441.8 million as at 31 March 2016, of which approximately HK$383.6 million were repayable within one year and approximately HK$101.1 million were repayable from one to more than five years. Other loans of approximately HK$7.9 million (as at 31 March 2016: approximately HK$8.4 million) carrying a fixed interest rate of 5% and were unsecured, which were repayable within one year. As at 31 March 2017, all the bank borrowings are denominated in HKD and other loans are denominated in RMB.

In terms of managing liquidity risk, the Group managed to maintain sufficient cash balance and undrawn committed banking facilities to ensure a balanced continuity of funding and flexibility for sustainable business development as well as potential investment opportunities. The gearing ratio (total borrowings divided by total assets) as at 31 March 2017 maintained stable at approximately 37.0% (as at 31 March 2016: approximately 36.3%).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective members of the Group. As at 31 March 2017, the Group maintained USD3 million worth of currency forward contracts to manage the exchange risk. The Group will continue to monitor the foreign currency exposure closely and will consider taking appropriate actions, including but not limited to hedging significant foreign currency exposure should the need arise.

CHARGE OF ASSETS

As at 31 March 2017, the Group pledged certain assets including bank deposits, prepaid land lease payment, buildings and investment properties with aggregate net book value of approximately HK$381.7 million (as at 31 March 2016: approximately HK$376.1 million) to secure banking facilities granted to the Group.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2017, the Group's capital expenditure regarding property, plant and equipment which are contracted but not yet provided was approximately HK$2.7 million (as at 31 March 2016: approximately HK$15.3 million). As at 31 March 2017, the Group did not have any capital expenditure authorised but not contracted for (as at 31 March 2016: Nil).

The Inland Revenue Department of Hong Kong (the "IRD") issued estimated assessment and additional assessment for the year of assessment 2009/10 and 2010/11 to six subsidiaries of the Group amounting to HK$7,260,000. In the opinion of the Directors, there is no specific basis for adjusting the subsidiaries' tax position for the years of assessment 2009/10 and 2010/2011 specified in the estimated assessment and additional assessment. Therefore, the Directors are of the view that no tax provision for Hong Kong profits tax is required at this stage. The subsidiaries will discuss with the IRD and will continue to monitor the progress and to defend the subsidiaries' tax position vigorously. Therefore, no tax provision was provided thereon as at 31 March 2017 (31 March 2016: Nil). Please also refer to note 11 to the consolidated financial statements on page 101 of this annual report for further details.

MATERIAL ACQUISITION AND DISPOSALS

The Group did not have any material acquisition or disposal of subsidiaries or associates during the Year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Particulars of exposure to fluctuations in exchange rates and any related hedges of the Group are set out in note 6(b) to the financial statements.

EMPLOYEES AND REMUNERATION

As at 31 March 2017, the Group had a total of 1,445 employees (as at 31 March 2016: 1,469). The Group's emolument policies are determined with reference to the performance of individual employees and the prevailing market condition, which will be reviewed periodically. For the Year, the Group's total expenses on the remuneration of employees including Directors' emolument amounted to approximately HK$123.0 million, as compared to approximately HK$139.3 million for the last corresponding year.

Apart from medical insurance and MPF scheme, competitive remuneration packages, discretionary bonuses, and employee share options, which are generally structured by reference to market terms, are also awarded to employees according to the assessment of individual performance. The remuneration and bonuses of the executive Directors and the senior management of the Company are reviewed and approved by the remuneration committee of the Company (the "Remuneration Committee") with reference, but not limited to the individual performance, the Group's results, qualification, competence and the prevailing market condition.

MANAGEMENT DISCUSSION AND ANALYSIS

DISPOSAL OF INVESTMENT

During the Year, the Group has entered into a sale and purchase agreement (the "S&P Agreement") to dispose of the investment of Xiamen Weihua Solar Limited (廈門惟華光能有限公司) ("Xiamen Weihua"). Pursuant to the S&P Agreement dated 31 July 2016, the Group agreed to transfer 20% shareholdings of Xiamen Weihua to an independent third party for a consideration of approximately RMB10,244,000. The consideration is payable in accordance with the status of transfer. As of 31 March 2017, the Group recorded a receipt of consideration amounting to approximately RMB8,195,000 and a receivable of approximately RMB2,049,000.

PROSPECT

According to the market research from the Smithers Pira's Report on 2017 Global Corrugated Paper Packaging Industry ("Smithers Pira's Report"), the demand for corrugated board packaging is forecast to increase steadily over the next five years at the global level. Smithers Pira's Report also predicted that the consumption volume of corrugated paper board is expected to reach 130 million tons by 2017, at an annual growth rate of 4.4%. With the market anticipation of an industry growth, the Group is optimistic towards the business prospect. In line with the rise in potential demand, the Group will continue its efforts in capacity expansion and production efficiency. The Group will closely monitor the development of Fujian Plant, with expectation in its production volume to reach RMB15 million by FY2017/18, which would further cater to the growing demand, strengthen the Group's brand awareness as well as expand the regional market.

China has been contributing most to the production volume of corrugated paper board these years. Driven by the retail growth and robust consumers' demand for goods of higher standard, the PRC government keeps on pushing the environmental agenda forward, as well as emphasizing the importance of supply-side measures, the industrial concentration is hence expected to be further enhanced. Given the favorable market conditions, the Group will spare no effort in maximizing the resources for research and development ("R&D"). Supported by the upgraded production technologies and facilities, the Group will sustainably provide quality products and value added services, including structural designs and offset printing. The Group is confident to attract more attention from high-end market with business advantages continued to be exploited, and will grasp the golden opportunities to expand its market share and revenue source.

The Group has been managing to strengthen its leadership position in the corrugated paper packaging industry of the PRC, not only base on its quality production operation, but also attributed to its strong financial status. Having adopted prudent internal cost management and investment planning, the Group is determined to enhance its profit level in the long run. With close cooperation with suppliers and insight into market opportunities, the Group will constantly review its marketing tactics for capturing a larger market share, in order to further stand out among the industry competitors as one of the market leaders in the PRC.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining appropriate corporate governance practices to enhance the accountability and transparency of the Company in order to protect the Shareholders' interests and to ensure that the Company complies with the latest statutory requirements and professional standards.

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Year.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

All the members of the Board have confirmed, following specific enquires by the Company, that they had complied with the required standards set out in the Model Code throughout the Year.

THE BOARD

The Board is responsible for the overall management of the Company and the mission of the Board is to maximise the Shareholders' return and uplift the Company's long term value.

The Board has formulated the overall business strategies and management policies, and set up the corporate governance practices, internal control procedures and risk management to ensure a proper management of the Company. The Board has undertaken the corporate governance function as required under the Code. The terms of reference of the corporate governance as set out in the Code have been approved by the Board for adoption. During the Year, the Board had reviewed and discussed the corporate governance policy and the Shareholders' communication policy of the Group and was satisfied with the effectiveness of such policies.

The Company will provide sufficient resources to all Directors to discharge their duties; independent professional advice is available in appropriate circumstances at the Company's expenses upon reasonable request to the Board, and all Directors have access to the company secretary's advice with a view to ensuring that Board procedures, and all applicable rules and regulations are followed.

During the Year, the Company had arranged and maintained appropriate insurance cover on the Directors' liabilities in respect of legal actions against the Directors arising out of corporate activities.

Board Composition

As at 31 March 2017, the Board had 6 members which comprised of:

Three executive Directors, namely Mr. CHONG Kam Chau (Chairman), Mr. CHONG Wa Pan (Chief Executive Officer and President) and Mr. CHONG Wa Ching; and

Three independent non-executive Directors, namely Mr. CHAU On Ta Yuen, Ms. TSUI Pui Man and Mr. LAW Tze Lun.

The members of the Board have various experience and skills and possess different professional knowledge which is necessary for the development of the Company. The brief biographical details of the Directors are set out in the section of "Directors and Senior Management" of this annual report.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

Board Composition (Continued)

The roles of the chairman of the Board (the "Chairman") are separated from the chief executive officer of the Company (the "Chief Executive Officer"). The Chairman approves and monitors the Company's strategies and policies, and supervises the management of the Company. The senior management team is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Mr. CHONG Kam Chau, the Chairman, is the father of Mr. CHONG Wa Pan (the executive Director, the Chief Executive Officer and President), Mr. CHONG Wa Ching (the executive Director) and Mr. CHONG Wa Lam (a senior management of the Company). Apart from that, there is no relationship (including financial, business, family or other material relationship) among members of the Board. In compliance with Rule 3.10 of the Listing Rules, the Board comprises three independent non-executive Directors which represents more than one-third of the Board. These independent non-executive Directors possess a broad range of expertise and experience in the areas of business management, legal, and accounting and finance matters. The current Board composition brings a strong independent element to the Board, which can effectively exercise independent judgment in making reasonable strategic decisions in different aspects.

The Company has received, from each of the independent non-executive Directors, an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company also considers all independent non-executive Directors to be independent in accordance with the above-mentioned independence guidelines. Each independent non-executive Director has been re-appointed for a term of one to two year(s) from 26 February 2017.

DELEGATION OF MANAGEMENT FUNCTIONS

With clear directions given, the Board has delegated the day-to-day management, administration and operations of the Company to the management. The responsibilities and authorities of each level of staff are clearly outlined in the Group's control policies, in case of any substantial transactions the management has to report back and obtain prior approval from the Board. The performances of the management are regularly assessed by the executive committee of the Company (the "Executive Committee"), which consists of the executive Directors. In addition to the Executive Committee, the Board has established an audit committee of the Company (the "Audit Committee"), the Remuneration Committee and a nomination committee of the Company (the "Nomination Committee") (collectively, the "Board Committees") and delegated various responsibilities to these committees as set out in their respective terms of reference. Further details of these committees are set out on page 21 to page 24 of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals. Directors may participate either in person or through other electronic means of communication (the practice of obtaining the Board's consent through the circulation of written resolution does not constitute a regular Board meeting). Ad-hoc meetings will also be convened if there is any events that raise the Board's concern.

During the Year, four Board meetings were held for reviewing the operating performance and latest market condition, considering and approving the overall strategies, approval of appointment and resignation of company secretary, re-appointment of external auditor, and the annual/interim results of the Group for the Year and one general meeting (i.e. the annual general meeting of the Company held on 5 September 2016 (the "2016 AGM")) was held. The composition and the attendance of individual Directors at these Board meetings and general meeting were as follows:

Directors	Number of Board meetings attended/eligible to attend	Number of general meeting attended/held
Executive Directors		
Mr. CHONG Kam Chau	4/4	1/1
Mr. CHONG Wa Pan	4/4	1/1
Mr. CHONG Wa Ching	4/4	1/1
Independent Non-executive Directors		
Mr. CHAU On Ta Yuen	4/4	0/1
Ms. TSUI Pui Man	3/4	1/1
Mr. LAW Tze Lun	4/4	1/1

Directors are provided with timely updates on changes in laws and compliance issues and the business environment relevant to the Group. All members of the Board attended the trainings. Continuing training and professional development for Directors will be arranged when necessary. The Company also encourages its Directors to enrol in relevant professional development courses to continually update and further improve their relevant knowledge and skills. All Directors including Mr. CHONG Kam Chau, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching, Mr. CHAU On Ta Yuen, Ms. TSUI Pui Man and Mr. LAW Tze Lun, have participated in continuous professional development to develop and refresh their knowledge and skills and provided their training records for the Year to the Company.

The company secretary of the Company is responsible for preparing agenda for regular Board meetings and will despatch the agenda to all Directors at least 10 days in advance and that all Directors will have the opportunity within reasonable time to include matters in the agenda for regular Board meetings.

Notice for regular Board meetings will be sent to all Directors at least 14 days in advance to facilitate the attendance. For all other Board meetings, the agenda and notice will be despatched at least three days in advance. All Directors are entitled to have access to Board papers, minutes and related materials.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS (Continued)

A duly appointed secretary is responsible for keeping the minutes of Board meetings and meetings of Board Committees, all minutes are available for inspection by any Director at a reasonable time on reasonable notice. All the minutes are kept in sufficient details, including matters considered by the Board, decisions reached and any concerns raised by Directors or dissenting views expressed. The draft minutes will be despatched to all Directors within five working days for their comment and the approved final version will be sent to all Directors within 15 working days for their record after the meetings.

If a Director has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Company's articles of association (the "Articles of Association"), such Director who is considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

APPOINTMENT, RE-ELECTION AND REMOVAL

At each of the annual general meeting of the Company, at least one-third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Director who shall retire in each year will be those who have been longest in the office since their last re-election or appointment. Therefore, all Directors shall be subject to retirement at least once every three years.

The independent non-executive Directors were re-appointed for a term of one to two year(s) from 26 February 2017, subject to re-election. Each of the Directors has entered into a service contract with the Company and may be terminated by either party by giving not less than three months' (for executive Director) or one month's (for independent non-executive Directors) prior written notice.

From time to time, the Board shall have the power to appoint any person as a Director to fill a casual vacancy or as an additional Director. Any directors so appointed shall then be eligible for re-election after the appointment at the next general meeting (for filling casual vacancy) or at the next following annual general meeting (for additional to the existing Board).

Any newly appointed Director will receive an induction handbook to ensure that the Director has a proper understanding of the operation and business of the Company and will be fully aware of the responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

The Nomination Committee reviews the Board structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience necessary for the development of the Company. When vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary. Suitable candidates, who will be interviewed initially by an independent non-executive Director, will then be recommended to the Board and meet all the Directors.

The Nomination Committee will also make recommendations to the Board on relevant matters relating to the appointment, re-election and removal of directors. Mr. CHONG Wa Pan, Mr. CHAU On Ta Yuen, Ms. TSUI Pui Man and Mr. LAW Tze Lun shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BOARD COMMITTEES

The Company has formed four committees, the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee; all Board Committees are formed with specific written terms of reference setting out clearly the committees' authority and duties, the terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are available on the Company's website. The Company has provided the Audit Committee, Remuneration Committee and Nomination Committee with sufficient resources to perform its duties, which may seek independent professional advice, at the Company's expenses, to perform their respective responsibilities.

AUDIT COMMITTEE

The Company has established an Audit Committee on 5 February 2009 in compliance with Rule 3.21 of the Listing Rules with written terms of reference revised on 27 March 2012 and 23 December 2015 in compliance with the code provisions of the Code which took effect and was subsequently revised from 1 April 2012 and 1 January 2016, respectively, and is available on the websites of the Stock Exchange and the Company. The main duties of the Audit Committee are to consider the relationship of external auditors, to review the financial statements of the Group and to oversee the Group's financial reporting system, risk management and internal control procedures. The Audit Committee consists of three independent non-executive Directors, namely Mr. LAW Tze Lun, who is also the chairman of the Audit Committee, Mr. CHAU On Ta Yuen and Ms. TSUI Pui Man.

None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The duties of the Audit Committee are set out in the terms of reference, which include, among others, the following:

(i) To monitor the integrity of the consolidated financial statements, annual reports and interim reports of the Company and to review any significant financial reporting judgments contained in them.

(ii) To monitor the independence and objectivity of the external auditors and the effectiveness of the audit process, make recommendations to the Board on appointment, re-appointment and removal, and to approve the remuneration and term of engagement of external auditors.

(iii) To review the effectiveness and adequacy of the financial control, risk management and internal control system, and to ensure the timely response from management towards the internal control findings and the management letter from external auditors.

(iv) To review the effectiveness of the internal audit function of the Company.

During the Year, four meetings were held by the Audit Committee to consider the re-appointment of external auditors, their remuneration and terms of engagement and the financial reporting of the Company's annual and interim results. Except for Ms. TSUI Pui Man who attended three out of four meetings, all committee members attended all the meetings.

The Audit Committee, together with the management of the Company and the external auditors, have reviewed the results announcement and the audited consolidated financial statements of the Group for the Year, the accounting principles and practices adopted and discussed auditing, internal controls, risk management and financial reporting matters.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 5 February 2009 with written terms of reference which was revised on 27 March 2012 in compliance with the Code and is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee is responsible for reviewing the remuneration structure and policy of the executive Directors and for fixing the remuneration packages for all Directors in order to retain or attract the competent personnel.

The Remuneration Committee comprises of three independent non-executive Directors, namely Ms. TSUI Pui Man, the chairman of the Remuneration Committee, Mr. CHAU On Ta Yuen and Mr. LAW Tze Lun, and one executive Director, Mr. CHONG Wa Pan, who is responsible for the human resource management of the Group.

The major duties of Remuneration Committee are as follows:

(i) To establish a transparent and fair procedure for developing policy on the remuneration of Directors and senior management.

(ii) To make recommendations to the Board on the remuneration packages of all executive Directors and senior management, including their respective terms of service agreements, the type and form and amount of remuneration, and make recommendations to the Board for the remuneration of non-executive Directors.

(iii) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board.

(iv) To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

(v) To prepare the Remuneration Committee report annually, and review the compliance of the Directors' remuneration disclosure in the Company's annual report.

(vi) To ensure that no Director or any of his associates is involved in deciding his own remuneration.

The remuneration of the Directors and senior management are determined with reference to the Group's operating results, individual performance, qualification and competence and the prevailing market conditions.

During the Year, one meeting was held by the Remuneration Committee to review and determine the remuneration of all executive Directors and senior management for the 2016/17 fiscal year and their performance-based remuneration and bonus with reference to corporate goals and objectives resolved by the Board. All committee members (except that Mr. CHONG Wa Pan abstained from voting on the part when reviewing and determining his salary) attended the meeting.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 5 February 2009 with written terms of reference which was revised on 27 March 2012 and 29 August 2013 in compliance with the Code and is available on the websites of the Stock Exchange and the Company. The committee consists of three independent non-executive Directors, namely Ms. TSUI Pui Man, the chairman of the Nomination Committee, Mr. CHAU On Ta Yuen, Mr. LAW Tze Lun and one executive Director, Mr. CHONG Wa Pan. The roles and functions of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, identifying individuals suitably qualified to become Board member and assessing the independence of independent non-executive Directors.

If any member of the Nomination Committee ("Nomination Committee Member") ceases to be a Director, he/she will cease to be a Nomination Committee Member automatically. The vacancy will be filled by appointment of new Nomination Committee Member by the Board. The majority of the Nomination Committee Members shall be independent non-executive Directors. The chairman of the Nomination Committee shall be appointed by the Board and shall be the Chairman or an independent non-executive Director.

The Board has adopted the Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance, and will select candidates for the Board basing on a range of diversity perspectives, including but not limited to gender, age, educational background, professional experience, skills, knowledge and independence (the "Measurable Objectives"). The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Measurable Objectives set for implementing the Board Diversity Policy by considering the Company's business model and specific needs from time to time and will recommend any revision thereof, if necessary, to the Board for consideration and approval.

The Nomination Committee will review, as appropriate, the Board Diversity Policy to ensure its effectiveness. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The major duties of the Nomination Committee are as follows:

(i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

(iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iv) assess the independence of independent non-executive Directors; and

(v) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

During the Year, one meeting was held by the Nomination Committee to review the Board's composition, recommend the rotation of Directors and assess the independence of the independent non-executive Directors. All committee members attended the meeting.

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE

The Company has set up the Executive Committee which determines the Group's strategies, reviews business performances and monitors the management's performance. As at 31 March 2017, the Executive Committee consists of three executive Directors, namely Mr. CHONG Kam Chau, Mr. CHONG Wa Pan and Mr. CHONG Wa Ching. Meetings are held regularly with the senior management of the Company to review the operation performance.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements which give a true and fair view of the state of the Group's affairs, results and cashflow for the Year.

In preparing the consolidated financial statements, supported by the finance department of the Group, the Directors have:

(i) reviewed the adoption of all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

(ii) selected suitable accounting policies and applied them on a consistent basis;

(iii) made judgment and estimates that are prudent, fair and reasonable; and

(iv) prepared the consolidated financial statements on a going concern basis.

The Board is also responsible for presenting a balanced, clear and understandable assessment in annual and interim reports, other inside information announcements and other financial disclosures of the Group required under the Listing Rules and other statutory requirements.

The Board has received sufficient explanation and information from the management, which enabled the Board to make an informed assessment of the consolidated financial statements and other information before approval.

As of 31 March 2017, the Group's current liabilities exceeded its current assets by approximately HK$32.5 million. These conditions, along with other matters as set forth in note 1 to the consolidated financial statements in this annual report, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Save as disclosed above, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Audit Committee reviews the letter from HLM CPA Limited, the external auditor of the Company, confirming their independence, approves their appointment, discusses the scope of their audit and approves their fees.

HLM CPA Limited has stated their reporting responsibilities in the independent auditor's report on the consolidated financial statements on page 46 to page 51 of this annual report.

For the year ended 31 March 2017, the fee paid and payable to HLM CPA Limited in respect of audit and audit related services amounted to approximately HK$1 million. The non-audit services fee of approximately HK$0.1 million was paid/payable to HLM CPA Limited during the Year in performing quarterly inventories taking.

The Audit Committee recommended the appointment and reappointment of HLM CPA Limited for audit service.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification*: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation*: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management*: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment*: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment*: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities*: Action established by policies and procedures to help ensure that management directives to migitgate risks to the achievement of objectives are carried out.
- *Information and Communication*: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring*: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Internal Control System (Continued)

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. NGAN Chui Wan, Judy, who has been appointed as the company secretary of the Company since 16 January 2015, has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

Ms. NGAN Chui Wan, Judy resigned as the company secretary of the Company with effect from 16 January 2017 due to her other personal commitments. Ms. BOK Yuk Wan has been appointed as the company secretary of the Company with effect from 16 January 2017. For further details, please refer to the announcement of the Company dated 16 January 2017.

COMMUNICATION WITH SHAREHOLDERS

The Directors acknowledge that they are entrusted to manage the Company on behalf of the Shareholders and they are responsible to the Shareholders for the operation and performance of the Company, therefore timely communication with Shareholders is indispensable for the Company to present the latest business development to them and obtain their opinions.

All Shareholders are encouraged to attend the general meetings of the Company to raise comments and exchange views with the Board. The Chairman and the chairpersons of the Board Committees, or the members of the Committees or their duly appointed delegates, will attend the meetings to answer questions at the meeting.

The Company will use a range of communication tools to ensure the Shareholders are kept well-informed including general meetings, annual reports, various notices, announcements and circulars. To promote effective communication, the Company maintains a website at www.comesure.com to post up-to-date information on the Group's latest business development, financial information and other relevant information for public access.

The forthcoming annual general meeting of the Company will be held on 11 September 2017 (the "AGM"). Details of the AGM and necessary information on issues to be considered in the AGM will be despatched to the Shareholders at least 20 clear business days in advance in accordance with the Listing Rules.

SHAREHOLDERS' RIGHT

Procedures for convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings by the Shareholders

The Board and the management of the Group endeavored to ensure all the Shareholders are treated equally and have their deserved rights. The Board has established the shareholders' communication policy to maintain an open and effective communication with the Shareholders and to update the Shareholders on relevant information on the Group's business in a timely manner.

To ensure the rights of all the Shareholders, separate resolutions are proposed at the general meeting on each substantial issue, including but not limited to connected transactions, substantial acquisitions and election of individual Directors.

Extraordinary general meetings ("EGM") shall be convened on the requisition of one or more Shareholders holdings, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meeting. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition.

Any Shareholder may appoint a proxy or representative to attend the general meeting, and they are entitled to exercise the same voting rights in the meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT (Continued)

Procedures for convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings by the Shareholders (Continued)

The convene and holding of general meetings and information distribution to the Shareholders are conducted strictly pursuant to the relevant regulations.

AGM procedures are reviewed from time to time to ensure that the Company follows the code provisions of the Code. The chairperson of the AGM exercises his/her power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the AGM.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Hong Kong office of the Company whose contact details are as follows:

Address: Units 8–10, 8th Floor
Cornell Centre
50 Wing Tai Road
Chai Wan
Hong Kong
Email: calvinchong@comesure.com
Tel No.: (852) 2889 0310
Fax No.: (852) 2558 7474/(852) 2896 6511

CHANGES TO CONSTITUTIONAL DOCUMENTS

During the Year, there was no significant change in the Company's constitutional documents, and these documents are published on the Company's website and on the Stock Exchange's website.

INVESTORS RELATIONS

The Group values feedback from the Shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions to the Board or the Company are welcome to contact our investor relation company.

Designated contact information

iRregular Consulting Limited
Address: RM 3603, 36/F, COSCO Tower
183 Queen's Road Central
Hong Kong
Tel.: (852) 6675 5167
Fax: (852) 3909 2007
Email: catherinetsang@irregularconsulting.com

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. CHONG Kam Chau (莊金洲先生) ("Mr. CHONG"), aged 70, the founder and Chairman of the Group, is responsible for the strategic planning and overall development of the Group. Mr. CHONG is a director of Central Dragon Limited, Central Master Limited, Come Sure Development Limited, Come Sure Holdings Limited, Grand View Enterprises Group Limited, Joy Honest Holdings Limited, Jumbo Match Limited and Wah Ming International Limited (all of which are subsidiaries of the Company). Mr. CHONG is also the sole director of Perfect Group Version Limited (the controlling Shareholder). He is a standing committee member of the Political Consultative Conference of Shanxi Province (山西省政協常務委員), a Vice-Chairman of Shanxi provincial federation (山西省僑聯副主席), the Vice-President of Shanxi Association of Overseas Liaison (山西省海外聯誼會副會長), the director of the Hong Kong Chinese People's Political Consultative Conference (Provincial) Members Association (港區省級政協委員聯誼會常務理事), and the Permanent Honorary President of the Eastern District Industries & Commerce Association (香港東區工商業聯會永遠名譽會長). Mr. CHONG was the committee member of the 16th and 17th term and the vice chairman of the 18th term of The Hong Kong Corrugated Paper Manufacturers' Association (HKCPMA). Mr. CHONG has over 26 years experience in the operation and management of companies engaging in manufacturing and/or trading of corrugated paper products in Hong Kong and the PRC. Mr. CHONG is the father of Mr. CHONG Wa Pan (an executive Director, the Chief Executive Officer and President of the Company), Mr. CHONG Wa Ching (an executive Director) and Mr. CHONG Wa Lam (a senior management of the Company).

Mr. CHONG Wa Pan (莊華彬先生), aged 45, is the eldest son of Mr. CHONG, the elder brother of Mr. CHONG Wa Ching (an executive Director) and Mr. CHONG Wa Lam (a senior management of the Company). Mr. CHONG Wa Pan is the Chief Executive Officer and President of the Company. He joined the Group in December 1991 and is responsible for the Group's overall management. Mr. CHONG Wa Pan is a director of Central Dragon Limited, Central Master Limited, Cheer Fame Holdings Limited, Cheer Power (China) Limited, Huizhou Come Sure Paper Industrial Company Limited, Come Sure Development Limited, Come Sure Group Limited — Macao Commercial Offshore, Come Sure Holdings Limited, Come Sure Packing Products (Shenzhen) Company Limited, Huizhou Come Sure Packing Products Company Limited, Jiangxi Come Sure Packing Products Company Limited, Luck Sea Investment Limited, Mass Linker Limited and Smart Profit Capital Investment Limited (all of which are subsidiaries of the Company). Mr. CHONG Wa Pan obtained a post-graduate certificate in June 2002 and a professional certificate in March 2006 both in Enterprise Management from Shanxi University of Finance and Economics (山西財經大學). Mr. CHONG Wa Pan is a member of the Political Consultative Conference of Jiangxi Province (江西省政協委員), an executive director of the Shanxi Association of Overseas Liaison (山西省海外聯誼會常務理事), a director of the Jiangxi Association of Overseas Liaison (江西省海外聯誼會理事), the Vice-President of Taiyuan Charity Association (太原慈善總會副會長), the Vice-President of Shenzhen Enterprise Confederation and Shenzhen Entrepreneur Association (深圳市企業聯合會及深圳市企業家協會副會長), and the Permanent Honorary President of the Eastern District Industries & Commerce Association (香港東區工商業聯會永遠名譽會長).

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. CHONG Wa Ching (莊華清先生), aged 40, is the second son of Mr. CHONG, the elder brother of Mr. CHONG Wa Lam (a senior management of the Company), the younger brother of Mr. CHONG Wan Pan (an executive Director, the Chief Executive Officer and President of the Company). Mr. CHONG Wa Ching is a director of Century Shiny Investment Limited, Cheer Fame Asia Limited, Fortune Port Technology Limited, Fully Chance Holdings Limited, Come Sure Packing Products (Shenzhen) Company Limited, Kechen Technology Limited, Kechen Technology (Hong Kong) Limited, Playful Games Holdings Limited, Playful Games (Hong Kong) Limited, Sky Achiever Holdings Limited, Soho Union International Limited, Superb Speed Limited, Think Speed Group Limited, Turbo Best Holdings Limited, Unlimited Space Limited and Wise Luck International (HK) Limited (all of which are subsidiaries of the Company). He joined the Group in August 2000 and is responsible for the strategic planning and control of the procurement and logistic activities of the Group, management of capital market operations, and investors' relationship. Mr. CHONG Wa Ching holds a Bachelor's degree in Business (Information Technology) from Swinburne University of Technology in Australia and a Master's Degree in Business from The University of Newcastle via distance learning. Mr. CHONG Wa Ching was a director of the 36th and 37th term (2003–2005) board of directors of Yan Chai Hospital and a current adviser of the 41th to 49th term (2008–2017) of Yan Chai Hospital, and is a committee member of China Federation of Youth Committee (中國僑聯青年委員會委員), the vice-chairman of the Shanxi Federation of Youth Committee (山西省僑聯青年委員會副主席), a youth standing committee of Shanxi Province (山西省青年常委), an executive director of the Shanxi Association of Overseas Liaison (山西省海外聯誼會常務理事).

Independent Non-executive Directors

Mr. CHAU On Ta Yuen (周安達源先生), aged 70, was appointed as an independent non-executive Director on 5 February 2009. He graduated from Xiamen University, majoring in Chinese language and literature. Mr. CHAU is currently a non-executive director and the honorary chairman of the board of directors of China Ocean Industry Group Limited (formerly known as China Ocean Shipbuilding Industry Group Limited) (Stock Code: 651), an executive director and the chairman of the board of directors of ELL Environmental Holdings Limited (Stock Code: 1395), an independent non-executive director of Good Resources Holdings Limited (formerly known as Good Fellow Resources Holding Limited) (Stock Code: 109) and an independent non-executive director of Redco Properties Group Limited (Stock Code: 1622), the shares of all of which are listed on the Main Board of the Stock Exchange. He had resigned as an independent non-executive director of Leyou Technologies Holdings Limited (Stock Code: 1089) on 4 May 2016. He is a member of the Chinese People's Political Consultative Conference of the PRC (全國政協委員) and the vice chairman of Hong Kong Federation of Fujian Associations (香港福建社團聯會副主席). Mr. CHAU is awarded with a Bronze Bauhinia Star (BBS) and Silver Bauhinia Star (SBS) by the Government of HKSAR on 1 July 2010 and 1 July 2016, respectively.

Ms. TSUI Pui Man (徐珮文女士), aged 60, was appointed as an independent non-executive Director on 5 February 2009. She is a practising lawyer in Hong Kong. Ms. TSUI holds a Bachelor's degree in Arts and a Bachelor's degree in Law from the University of Hong Kong. Ms. TSUI is a qualified solicitor in Hong Kong (admitted in 1988), England and Wales, Australia and Singapore. She is also a Notary Public and a China-Appointed Attesting Officer. Ms. TSUI was a member of Disciplinary Panel of Hong Kong Certified Public Accountants. She is a member of Political Consultative Conference of Shanxi Province (山西省政協委員) and a council member of Association for the Promotion of Peaceful National Reunification of China (中國和平統一促進會理事).

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. LAW Tze Lun (羅子璘先生), aged 45, was appointed as an independent non-executive Director on 5 February 2009. He is a Practising Certified Public Accountant in Hong Kong and a director of ANSA CPA Limited. Mr. LAW holds a Bachelor of Commerce (Accounting) from the Curtin University of Technology. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. Mr. LAW has over 24 years of experience in auditing, accounting and finance gained from various accounting firms in Hong Kong. Mr. LAW Tze Lun is currently an independent non-executive director of Gemini Investments (Holdings) Limited (Stock Code: 174) and National Investments Fund Limited (Stock Code: 1227), the shares of all of which are listed on the Main Board of the Stock Exchange.

The interest of the Directors in shares and/or underlying shares of the Company are set out in the paragraphs headed "Directors' and chief's interests and short positions in Shares" in the Directors' Report of this Annual Report.

SENIOR MANAGEMENT

Mr. YEOH Keng Gut, aged 48, is the plant manager of Come Sure Packing Products (Shenzhen) Company Limited. He joined the Group in June 2007 and is responsible for overall plants operation of Come Sure Shenzhen. He holds a Bachelor's degree in Applied Science (Engineering) from University of Toronto in Canada. Mr. YEOH has more than 19 years experience in the packaging industry involved in engineering, production, planning and customer services gained in Malaysia and China.

Ms. LAU Yin Chuen (劉燕邨女士), aged 63, is the group customer service manager of the Group. She joined the Group in March 2000 and is responsible for the overall pricing strategy and cost control of the Group. Ms. LAU holds a Diploma in Economics from the Beijing Institute of Commerce (北京商學院) now known as Beijing Technology and Business University (北京工商大學) in Beijing, the PRC. Before joining the Group, Ms. LAU has over 19 years of experience in finance and accounting of which approximately four years gained from a company which involved in the manufacturing and/or trading of electronic consumer products.

Mr. CHONG Wa Nam (莊華楠先生), aged 46, is the supervisor (監事) of Come Sure Packing Products (Shenzhen) Company Limited and a director of Chance Bright Limited — Macao Commercial Offshore, Come Sure Paper Industrial (Shenzhen) Company Limited, Huizhou Come Sure Packing Products Company Limited, Huizhou Come Sure Paper Industrial Company Limited, Shenzhen Qianhai Come Sure Packing Creative and Cultural Industries Company Limited, Wah Ming Colour Printing (Shenzhen) Company Limited and Jiangxi Come Sure Packing Products Company Limited (all of which are subsidiaries of the Company). Mr. CHONG Wa Nam joined the Group since 1992 and is responsible for monitoring the management and operations of a group of PRC subsidiaries to ensure the Group is in compliance with the PRC company laws and other legal regulations. Mr. CHONG Wa Nam holds a professional certificate in Enterprise Management from Shanxi University of Finance and Economics (山西財經大學). Mr. CHONG Wa Nam has more than 22 years of experience in the packaging industry involved in production, logistics, customer services and administration gained within the Group.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (Continued)

Mr. CHONG Wa Lam (莊華琳先生), aged 38, is the youngest son of Mr. CHONG, the younger brother of Mr. CHONG Wa Pan, and Mr. CHONG Wa Ching, all of whom are executive Directors. Mr. CHONG Wa Lam is a director of Come Sure Packing Products (Shenzhen) Company Limited, China Apex Investment Limited, Huizhou Come Sure Paper Industrial Company Limited, Come Sure Packing Products (Quanzhou) Company Limited, Fully Chance Holdings Limited, Jiangxi Come Sure Packing Products Company Limited, Kechen Technology Limited, Kechen Technology (Hong Hong) Limited, Mass Winner Holdings Limited, Playful Games Holdings Limited, Playful Games (Hong Kong) Limited, Rising Sun Paper (Jiangxi) Company Limited, Speedy Concept Development Limited, Superb Speed Limited, Think Speed Group Limited, Turbo Best Holdings Limited, Unlimited Space Limited, Wah Ming Colour Printing (Shenzhen) Company Limited and Wah Ming Paper Industrial (Shenzhen) Company Limited (all of which are subsidiaries of the Company). He joined the Group in April 2002 and is responsible for the Group's sales and marketing activities including sales and product development of the Group, and the management of new investment projects. Mr. CHONG Wa Lam obtained a postgraduate certificate in June 2002 and a professional certificate in March 2006 both in Enterprise Management from Shanxi University of Finance and Economics (山西財經大學). He is a member of the Political Consultative Conference of Huidong County Guangdong Province (廣東省惠東縣政協委員), a director of the Shanxi Association of Overseas Liaison (山西省海外聯誼會理事), a director of Shenzhen Printing Association (深圳市印刷行業協會理事), a vice chairman of Shenzhen Packaging Industry Association (深圳市包裝行業協會副會長), a vice chairman of The Hong Kong Corrugated paper Manufacturers' Association (HKCPMA), the vice president of Huidong Province Foreign Investment Enterprise Association (惠東外商投資企業協會副會長), a standing committee member of China Packaging Federation Paper Products Committee (中國包裝聯合會紙制品包裝委員會常務委員).

Mr. LUK Kwok Tung, Eric (陸國棟先生), aged 41, is the financial controller of the Group, and is responsible for the financial and accounting management of the Group. Mr. LUK joined the Group as Assistant Accounting Manager in September 2004. Mr. LUK is a director of Kechen Technology Limited, Kechen Technology (Hong Kong) Limited, Magic Thinsky Limited, Playful Games Holdings Limited, Playful Games (Hong Kong) Limited, Superb Speed Limited, Soho Union International Limited, Think Speed Group Limited and Unlimited Space Limited (all of which are subsidiaries of the Company). Mr. LUK holds a bachelor's degree in Business Accounting from the University of Glamorgan (now known as University of South Wales), United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants. Mr. LUK has over 17 years of experience of financial and accounting and auditing, gained from the Group and local and international accounting firms.

Mr. LIN Mingzhong (林明忠先生), aged 48, is the plant manager of Wah Ming Colour Printing (Shenzhen) Company Limited and Sky Achiever Paper Industrial (Shenzhen) Company Limited, and the sales manager of MCO, Come Sure Holdings Limited. He joined the Group in 1 January 2003 and is responsible for overall operation of colour printing and molded pulp business and sales activities of MCO, Come Sure Holdings Limited. He graduated from 海南省郵電學校 with a college degree in electromechanical communication. Mr. LIN Mingzhong has over 16 years' experience in the packaging industry, involving engineering, production, planning and customer service.

COMPANY SECRETARY

Ms. BOK Yuk Wan (濮玉云女士), aged 35, was appointed as the company secretary of the Company with effect from 16 January 2017. Ms. BOK is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Ms. BOK obtained a bachelor degree of Accountancy awarded by the University of South Australia in January 2009. Ms. Bok has over 10 years of experience in accounting, auditing and corporate management.

DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries, are set out in note 46 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis on financial key performance indicators, principal risks and uncertainties facing the Group and an indication of likely future developments in the businesses of the Group can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 6 to 16 of this annual report. These discussions form part of this "Directors' Report".

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 52 of this annual report.

No interim dividend was paid during the Year (2016: Nil). The Board does not propose any payment of final dividend for the Year. (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on 11 September 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 6 September 2017 to 11 September 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on 5 September 2017.

FIXED ASSETS

During the Year, the Group has acquired approximately HK$49.2 million property, plant and equipment, in which approximately HK$17.2 million represented regular replacement and upgrading of production facilities while approximately HK$32.0 million represented the construction of a factory for a subsidiary.

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

As of 31 March 2017, the Group has paid approximately HK$3.9 million (2016: approximately HK$23.8 million) as the deposits for the acquisition of property, plant and equipment.

SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 35 to the consolidated financial statements of this annual report.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the Shareholders as at 31 March 2017 amounted to approximately HK$465.1 million (2016: approximately HK$451.4 million).

Details of the movements in the reserves of the Group and the Company during the Year are set out in page 55 to page 56 and note 46(d) to the consolidated financial statements of this annual report, respectively.

PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the Year, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities.

FINANCIAL STATEMENTS

The profit of the Group and the financial conditions of the Company and the Group for the Year are set out in the financial statements on pages 52 to 134 of this annual report.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize our environmental impact by energy saving and wastage reduction, and encouraging recycle of office supplies and other materials. The Group also requires its factories to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant PRC regulators.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and its workers are provided with regular training courses on operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the Year and up to the date of this annual report, the Group's operation has complied with all the relevant laws and regulations in the PRC and Hong Kong in all material respects.

DIRECTORS' REPORT

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executives Directors

Mr. CHONG Kam Chau
Mr. CHONG Wa Pan
Mr. CHONG Wa Ching

Independent Non-executive Directors

Mr. CHAU On Ta Yuen
Ms. TSUI Pui Man
Mr. LAW Tze Lun

In accordance with the provisions of the Articles of Association, Mr. CHONG Wa Pan, Mr. CHAU On Ta Yuen, Ms. TSUI Pui Man and Mr. LAW Tze Lun will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. No Directors have waived or agreed to waive any emoluments.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2017 are set out in notes 32 and 33 to the consolidated financial statements of this annual report.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on page 4 of this annual report.

RETIREMENT BENEFITS SCHEMES

Particulars of the Group's retirement benefits schemes are set out in note 38 to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Year.

DIRECTORS' REPORT

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

As at 31 March 2017, the interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix X of the Listing Rules were as follows:

Long positions in the Shares

Name	Capacity/Nature of interest	Number of Shares	Percentage of issued Shares
Mr. CHONG Kam Chau (Notes 1 & 2)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	228,958,000	63.20%
	Beneficial owner	1,700,000*	0.47%
Mr. CHONG Wa Pan (Notes 1 & 3)	Beneficiary of a discretionary trust	228,958,000	63.20%
	Beneficial owner	1,200,000*	0.33%
Mr. CHONG Wa Ching (Notes 1 & 3)	Beneficiary of a discretionary trust	228,958,000	63.20%
	Beneficial owner	600,000*	0.17%
Mr. CHONG Wa Lam (Notes 1 & 3)	Beneficiary of a discretionary trust	228,958,000	63.20%
	Beneficial owner	600,000**	0.17%
Mr. CHAU On Ta Yuen	Beneficial owner	500,000*	0.14%
Ms. TSUI Pui Man	Beneficial owner	500,000*	0.14%
Mr. LAW Tze Lun	Beneficial owner	500,000*	0.14%

* These long positions represent the share options granted to the respective Directors under the share option scheme of the Company. Each share option shall entitle the holder thereof to subscribe for one share.

** These long positions represent the share option granted to the then Director under the share option scheme of the Company. Each share option shall entitle the holder thereof to subscribe for one share.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Long positions in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	Number of securities	Percentage of shareholding
Mr. CHONG Kam Chau (Notes 1 & 2)	Perfect Group Version Limited	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	10,000 ordinary shares	100%
Mr. CHONG Wa Pan (Notes 1 & 3)	Perfect Group Version Limited	Beneficiary of a discretionary trust	10,000 ordinary shares	100%
Mr. CHONG Wa Ching (Notes 1 & 3)	Perfect Group Version Limited	Beneficiary of a discretionary trust	10,000 ordinary shares	100%
Mr. CHONG Wa Lam (Notes 1 & 3)	Perfect Group Version Limited	Beneficiary of a discretionary trust	10,000 ordinary shares	100%

Notes:

1. The entire issued shares of Perfect Group Version Limited ("Perfect Group") are held by Jade City Assets Limited ("Jade City"), which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG Kam Chau as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG Kam Chau, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching, Mr. CHONG Wa Lam and Mr. CHONG Kam Shing, who is the son of Mr. CHONG Wa Pan.

2. Mr. CHONG Kam Chau is the founder, an executive Director and the Chairman. Mr. CHONG Kam Chau is the sole director of Perfect Group and therefore Mr. CHONG Kam Chau is deemed or taken to be interested in the entire issued shares of Perfect Group and the 228,958,000 Shares beneficially owned by Perfect Group for the purposes of the SFO. Mr. CHONG Kam Chau as settlor and a beneficiary of the CHONG Family Trust is also deemed or taken to be interested in the 228,958,000 Shares held by Perfect Group under the SFO.

3. Mr. CHONG Wa Pan, the Chief Executive Officer and the President of the Company, together with Mr. CHONG Wa Ching, the executive Director, and Mr. CHONG Wa Lam, the senior management of the Company, all as beneficiaries and Mr. CHONG Kam Shing, the son of Mr. CHONG Wa Pan, as beneficiaries of the CHONG Family Trust, are deemed or taken to be interested in entire issued shares of Perfect Group and the 228,958,000 Shares held by Perfect Group under the SFO.

Save as disclosed above, none of the Directors or chief executive, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2017.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the Shares

Name	Capacity/Nature of interest	Number of shares	Percentage of issued shares
Perfect Group Version Limited (Notes 1 & 2)	Beneficial owner	228,958,000	63.20%
Jade City Assets Limited (Notes 1 & 2)	Interest of controlled corporation	228,958,000	63.20%
HSBC International Trustee Limited (Notes 1 & 2)	Trustee	228,958,000	63.20%
Ms. CHAN Po Ting (Notes 1 & 3)	Family interests; Beneficiary of a discretionary trust	230,658,000	63.66%
Ms. HUNG Woon Cheuk (Note 4)	Family interests	230,158,000	63.53%
Ms. YUEN Chung Yan (Note 5)	Family interests	229,558,000	63.36%
Mr. CHONG Kam Shing (Note 1)	Beneficiary of a discretionary trust	228,958,000	63.20%

Notes:

1. The entire issued shares of Perfect Group are held by Jade City, which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG Kam Chau as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG Kam Chau, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam and Mr. CHONG Kam Shing, who is the son of Mr. CHONG Wa Pan.

2. Such Shares are held by Perfect Group, the entire issued shares of which are held by Jade City. The entire issued capital of Jade City is held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust.

3. Ms. CHAN Po Ting, the spouse of Mr. CHONG Kam Chau and one of the beneficiaries of the CHONG Family Trust, is deemed or taken to be interested in the interests held by Mr. CHONG Kam Chau and Perfect Group under the SFO.

4. Ms. HUNG Woon Cheuk, is the spouse of Mr. CHONG Wa Pan, and Mr. CHONG Kam Shing is children under 18 of Ms. HUNG Woon Cheuk. Therefore, Ms. HUNG Woon Cheuk is deemed or taken to be interested in the interests held by Mr. CHONG Wa Pan and Mr. CHONG Kam Shing under the SFO.

5. Ms. YUEN Chung Yan, the spouse of Mr. CHONG Wa Ching, is deemed or taken to be interested in the interests held by Mr. CHONG Wa Ching under the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the share option scheme adopted by the Company on 5 February 2009 (the "Scheme"), at no time during the Year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in notes 18 to the consolidated financial statement, there were no significant investment held by the Group as at 31 March 2017.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, or its subsidiaries was a party and in which the controlling Shareholder or a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTINUING CONNECTED TRANSACTIONS

Master Materials Purchase Agreement

On 29 July 2010, Nine Dragons Paper (Holdings) Limited ("Nine Dragons") and the Company entered into a master materials purchase agreement (the "Master Materials Purchase Agreement") in relation to the purchase of raw paper materials by the Group from Nine Dragons for a period commencing from 22 October 2010 to 31 March 2013. The annual aggregate transaction amounts in respect of the purchase of raw paper materials by the Group from the Nine Dragons under the Master Materials Purchase Agreement or the separate sale and purchase agreements between the Nine Dragons and the Group for each of the periods from 22 October 2010 to 31 March 2011 and the two financial years of the Company ending on 31 March 2012 and 31 March 2013 shall be capped at and not exceed RMB200,000,000, RMB400,000,000 and RMB500,000,000, respectively.

As the controlling shareholder of Nine Dragons indirectly owned as to 40% of the issued share capital of an indirectly owned subsidiary of the Company (the "Subsidiary"). Nine Dragons is a connected person of the Company pursuant to Chapter 14A of the then Listing Rules and as each of the percentage ratios (other than the profits ratio) for the aggregate caps of the transactions contemplated under the Master Materials Purchase Agreement for each of the periods from 22 October 2010 to 31 March 2011 and the two financial years of the Company ending on 31 March 2012 and 31 March 2013 of RMB200,000,000, RMB400,000,000 and RMB500,000,000 is on an annual basis more than 25%, the transactions contemplated under the Master Materials Purchase Agreement were subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the then Listing Rules at the time of entering the Master Materials Purchase Agreement.

The above continuing connected transaction and the annual caps contemplated under the Master Materials Purchase Agreement were approved by the independent Shareholders at an extraordinary general meeting of the Company held on 6 September 2010. For details, please refer to the announcements of the Company dated 29 July 2010 and 6 September 2010, and the circular of the Company dated 19 August 2010.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS (Continued)

Master Materials Purchase Agreement (Continued)

On 28 February 2013, Nine Dragons and the Company renewed the Master Materials Purchase Agreement for a period commencing from 1 April 2013 to 31 March 2016. The annual aggregate transaction amounts in respect of the purchase of raw paper materials by the Group from the Nine Dragons under the Group for the three financial years of the Company ending on 31 March 2014, 2015 and 2016 shall be capped at and not exceed RMB500,000,000, RMB500,000,000 and RMB600,000,000, respectively. As the transaction meets the requirements under Rule 14A.31(9) of the then Listing Rules, the said continuing connected transaction is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the then Listing Rules.

On 7 March 2016, both parties has renewed the Master Materials Purchase Agreement for a period commencing from 1 April 2016 to 31 March 2019. The annual aggregate transaction amounts in respect of the purchase of raw paper materials by the Group from the Nine Dragons under the Group for the three financial years of the company ending on 31 March 2017, 2018 and 2019 shall be capped at and not exceed RMB500,000,000 each year. As the Subsidiary meets the requirements under Rule 14A.09 of the Listing Rules as an insignificant subsidiary, the said transaction is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

Pursuant to the Listing Rules, if the Subsidiary no longer meets the conditions for the exemption under Rule 14A.09 of the Listing Rules or if there is a material change to the terms of such agreement, the Company must comply with all applicable rules under Chapter 14A of the Listing Rules in relation to the announcement, reporting and/or independent shareholders' approval requirements. The Company confirms the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied.

The amount paid by the Group to Nine Dragons and the percentage of relevant expenses are as follows:

Name of connected person	Nature of transactions	2017 Amount	2017 %	2016 Amount	2016 %
Nine Dragons Paper (Holdings) Limited	Purchase of raw paper	**RMB246,504,000**	**45.1%**	RMB160,036,329	40.4%

The independent non-executive Directors have reviewed the above continuing connected transactions have confirmed that such transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;

(iii) in accordance with relevant agreements governing such transactions; and

(iv) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Master Materials Purchase Agreement (Continued)

The auditors of the Company has confirmed to the Board on matters stated in Rule 14A.56 of the Listing Rules in relation to the above continuing connected transactions.

Save as the transactions disclosed above, the Directors consider that those related party transactions disclosed in note 43 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules or are exempt from the reporting, annual review, announcement or independent shareholders' approval requirements under the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company 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. The Company considers all of the independent non-executive Directors are independent.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Year and up to and including the date of this annual report.

EMOLUMENT POLICY

The emolument policy for the senior management of the Group is set by the Remuneration Committee on the basis of their merit, qualifications and competence with reference to similar prevailing market condition.

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

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted the Scheme on 5 February 2009 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company to, inter alia, any employees (full-time or part-time), directors, consultants and advisers or any substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 26 February 2009 and shall be valid and effective for a period of ten years commencing on 5 February 2009, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00. The subscription price of a share of the Company in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company on the date of grant of the option.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

The Company shall be entitled to issue options, provided that the total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue on the listing date of the Company. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares of the Company in issue at the time.

As at the date of this report, options to subscribe for a total of 9,800,000 option shares were still outstanding under the Scheme which represents approximately 2.70% of the issued share capital of the Company. The total number of shares of the Company issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

On 6 January 2010, according to the terms of the Scheme, the Company has granted 8,400,000 share options (5,700,000 share options of which were granted to the Directors) to certain eligible participants including certain Directors and employees at an exercise price of HK$1.18 per share and the consideration for each of the grant was HK$1. The share options granted pursuant to the Scheme will be exercisable from 6 January 2011 and expiring on 5 January 2020. Particulars of the share options granted under the Scheme were set forth in the announcement of the Company dated 6 January 2010.

On 17 May 2010, according to the terms of the Scheme, the Company has granted 19,600,000 share options (900,000 share options of which were granted to the Directors) to certain eligible participants including certain Directors and employees at an exercise price of HK$1.05 per share of the Company. The consideration for each of the grant was HK$1. The share options granted pursuant to the Scheme will be exercisable from the 180th day after the date of acceptance of the share options by the Grantees and expiring on 16 May 2020. Particulars of the share options granted under the Scheme were set forth in the announcement of the Company dated 17 May 2010.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Details of the share options outstanding as at 31 March 2017 under the Scheme are as follows:

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK$) (Note 1)	Share options held on 1 April 2016	Share options granted during the Year	Share options exercised during the Year	Share options lapsed/ cancelled during the Year	Share options held on 31 March 2017
Executive Directors								
Mr. CHONG Kam Chau	6 January 2010	6 January 2011 to 5 January 2020	1.18	680,000	–	–	–	680,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	510,000	–	–	–	510,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	510,000	–	–	–	510,000
				1,700,000	–	–	–	1,700,000
Mr. CHONG Wa Pan	6 January 2010	6 January 2011 to 5 January 2020	1.18	480,000	–	–	–	480,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	360,000	–	–	–	360,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	360,000	–	–	–	360,000
				1,200,000	–	–	–	1,200,000
Mr. CHONG Wa Ching	6 January 2010	6 January 2011 to 5 January 2020	1.18	240,000	–	–	–	240,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	180,000	–	–	–	180,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	180,000	–	–	–	180,000
				600,000	–	–	–	600,000
Independent non-executive Directors								
Mr. CHAU On Ta Yuen	6 January 2010	6 January 2011 to 5 January 2020	1.18	200,000	–	–	–	200,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	–	–	–	300,000
				500,000	–	–	–	500,000
Ms. TSUI Pui Man	6 January 2010	6 January 2011 to 5 January 2020	1.18	200,000	–	–	–	200,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	–	–	–	300,000
				500,000	–	–	–	500,000
Mr. LAW Tze Lun	6 January 2010	6 January 2011 to 5 January 2020	1.18	200,000	–	–	–	200,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	–	–	–	300,000
				500,000	–	–	–	500,000
Eight other eligible participants of the Group								
	6 January 2010	6 January 2011 to 5 January 2020	1.18	780,000	–	–	(120,000)	660,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	585,000	–	–	(90,000)	495,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	585,000	–	–	(90,000)	495,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	3,000,000	–	–	–	3,000,000
				4,950,000	–	–	(300,000)	4,650,000
One other eligible participant of the Group								
	6 January 2010	6 January 2011 to 5 January 2020	1.18	150,000	–	–	–	150,000
				150,000	–	–	–	150,000
				10,100,000	–	–	(300,000)	9,800,000

Notes: 1. (a) The closing price of the Shares on 5 January 2010 (the day immediately before the date of grant) was HK$1.18.

(b) The closing price of the Shares on 16 May 2010 (the day immediately before the date of grant) was HK$1.05.

2. For details of the value of the options granted during the year ended 31 March 2017, please refer to note 36 to the consolidated financial statements.

DIRECTORS' REPORT

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling Shareholders during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer its new shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As far as the Company is aware, more than 25% of the issued shares of the Company were held in public hands as of 31 March 2017.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has maintained appropriate Directors' liability insurance coverage for the Directors during the financial year ended 31 March 2017.

CHARITABLE DONATIONS

During the Year, the Group made charitable donation amounting to HK$1,060,000 (2016: HK$266,000).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Year under review is as follows:

	Percentage of the group's total Sales	Purchases
The largest customer	10.86%	N.A.
Five largest customers in aggregate	33.31%	N.A.
The largest supplier	N.A.	43.84%
Five largest suppliers in aggregate	N.A.	65.73%

At no time during the year have the Directors, their associates or any Shareholder (who/which to the knowledge of the directors owns more than 5% of the company's share capital) had any interest in these major customers and suppliers.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the end of the report period and up to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has no future plans for material investments or capital assets and their expected sources of funding in the coming year other than those set out in this annual report.

AUDITOR

The accounts for the Year have been audited by HLM CPA Limited which will retire and, being eligible, offer itself for re-appointment at the AGM. A resolution will be submitted on the AGM to appoint HLM CPA Limited as auditor of the Company.

On behalf of the Board

CHONG Kam Chau
Chairman

30 June 2017

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF
COME SURE GROUP (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Come Sure Group (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 134, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies.

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 requirement of the Hong Kong Companies Ordinance.

BASIS FOR 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements, which indicates that the Group's current liabilities exceed its current assets by approximately HK$32,474,000. Such conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Valuation of trade receivables

We identified the valuation of trade receivables as a key audit matter due to the use of judgment and estimates in assessing the recoverability of trade receivables.

In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

At 31 March 2017, the carrying amount of trade receivables is HK$207,547,000, net of allowance for doubtful debts of HK$15,760,000.

Details of the trade receivables are set out in note 25 to the consolidated financial statements.

How our audit addressed the Key Audit Matters

Our procedures in relation to valuation on trade receivables included:

- obtaining an understanding of the Group's procedures on credit limits and credit periods given to customers with the management;
- evaluating the design and implementation of controls applied by management in determining the provision for doubtful debts;
- evaluating the management's impairment assessment of trade receivables;
- testing the accuracy of the receivables aging analysis and the recoverability of amounts due from debtors through circularisation, testing of subsequent receipts and corroborative enquiry;
- confirming the existence and assessing the valuation of significant receivables as at year end by tracing to subsequent/recent receipts;
- assessing the reasonableness of the methods and assumptions used by the management to estimate the provision of bad and doubtful debts;
- assessing, validating and discussing with the management and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade receivables aging analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses, with focus on long outstanding debts and debts which are past due but not impaired; and
- checking, on a sampling basis, the accuracy and relevance of the information included in the impairment assessment of trade receivables.

We found that the estimation and judgement made by management in respect of the recoverability of trade receivables were supportable by the credible evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter as the valuation is subject to significant management estimate.

The carrying value of investment properties amounted to HK$209,800,000 as at 31 March 2017 and the increase in fair value of the investment properties recorded in the profit for the year was HK$1,620,000. In estimating the fair value of investment properties, it is the Group's policy to engage independent qualified external valuer to perform the valuation. Management work with the valuer to establish and determine the appropriate valuation technique and inputs to the valuation model.

Independent external valuations were obtained in order to support management's estimates.

Details of the investment properties are set out in note 18 to the consolidated financial statements.

How our audit addressed the Key Audit Matters

Our procedures in relation to management's valuation of investment properties included:

- examining and reviewing the valuation report issued by the independent professional property valuer;

- evaluating the qualification, independence and objectivity of the independent professional property valuer; and

- obtaining an understanding from the independent professional property valuer about the valuation methodology, the performance of the property markets, significant assumptions adopted, critical judgment on key inputs and data used in the valuations and evaluating the valuation methodology used and the key estimates and key input adopted in the valuation are reasonable.

We found that the assumptions made by the independent professional property valuer were reasonable by available evidence.

KEY AUDIT MATTERS (Continued)

Impairment assessment of goodwill

As at 31 March 2017, the Group has goodwill of HK$11,631,000 relating to the acquisition of 100% equity interest in Sky Achiever Holdings Limited ("SAH"). Management has concluded that there is no impairment in respect of the goodwill in SAH. This conclusion was based on a value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth.

How our audit addressed the Key Audit Matters

Our procedures in relation to management's impairment assessment included:

- evaluating the appropriateness of methodology and assumptions used by the management.

- assessing the reasonableness of the underlying key assumptions and data used in the cash flow forecast (including revenue growth rate, operating results, discount rate, terminal growth rate based on our knowledge of the business and industry);

- testing the mathematical accuracy of the underlying valuation.

We found the assumptions made by management in relation to the value in use calculations to be reasonable based on available evidence. The significant inputs have been appropriately disclosed in note 19 to the consolidated financial statement.

OTHER INFORMATION

The Directors of the Company 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.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

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

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

We communicate with 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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2016 were audited by the previous auditors of the Group who expressed an unmodified opinion on those statements on 30 June 2016.

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong, 30 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**845,546**	815,127
Cost of goods sold		**(660,684)**	(645,015)
Gross profit		**184,862**	170,112
Other income	8	**8,916**	9,711
Other gains and losses	9	**(3,793)**	(55,848)
Selling expenses		**(40,869)**	(42,310)
Administrative expenses		**(104,653)**	(114,349)
Other operating expenses		**(2,480)**	(15,734)
Profit (loss) from operations		**41,983**	(48,418)
Finance costs	10	**(12,275)**	(11,941)
Profit (loss) before tax		**29,708**	(60,359)
Income tax expense	11	**(13,193)**	(10,174)
Profit (loss) for the year	12	**16,515**	(70,533)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(32,027)**	(28,296)
Other comprehensive expense for the year, net of income tax		**(32,027)**	(28,296)
Total comprehensive expense for the year		**(15,512)**	(98,829)
Profit (loss) for the year attributable to:			
Owners of the Company		**18,383**	(66,002)
Non-controlling interests		**(1,868)**	(4,531)
		16,515	(70,533)
Total comprehensive expense attributable to:			
Owners of the Company		**(12,237)**	(93,102)
Non-controlling interests		**(3,275)**	(5,727)
		(15,512)	(98,829)
Earnings (loss) per share			
Basic and diluted	15	**HK5.07 cents**	(HK18.22 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Prepaid lease payments	16	**58,674**	64,041
Property, plant and equipment	17	**284,175**	283,125
Investment properties	18	**209,800**	208,180
Goodwill	19	**11,631**	11,631
Deposits paid for acquisition of property, plant and equipment	20	**3,893**	23,832
Available-for-sale investment	21	**–**	10,609
Club membership		**366**	366
		568,539	601,784
Current assets			
Inventories	24	**95,382**	68,057
Trade and bills receivables	25	**214,846**	198,112
Prepayments, deposits and other receivables	26	**19,825**	24,527
Amounts due from non-controlling shareholders	31	**29**	29
Prepaid lease payments	16	**1,434**	1,528
Tax recoverable		**1,000**	285
Financial assets designated as at fair value through profit or loss	22	**–**	53,301
Held for trading investments	27	**33,392**	36,493
Pledged bank deposits	28	**145,634**	135,640
Bank and cash balances	28	**250,414**	121,867
		761,956	639,839
Current liabilities			
Trade and bills payables	29	**158,127**	99,126
Accruals and other payables	30	**93,512**	81,807
Amounts due to non-controlling shareholders	31	**28,883**	27,886
Short-term borrowings	32	**364,675**	326,648
Tax liabilities		**26,238**	22,350
Derivative financial instruments	23	**2,176**	13,831
Long-term borrowings	33	**120,819**	114,851
		794,430	686,499
Net current liabilities		**(32,474)**	(46,660)
Total assets less current liabilities		**536,065**	555,124

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Amounts due to non-controlling shareholders	31	**2,848**	4,627
Long-term borrowings	33	**7,145**	8,671
Deferred tax liabilities	34	**3,818**	4,060
		13,811	17,358
NET ASSETS		**522,254**	537,766
Capital and reserves			
Share capital	35	**3,623**	3,623
Reserves		**519,706**	531,963
Equity attributable to owners of the Company		**523,329**	535,586
Non-controlling interests		**(1,075)**	2,180
		522,254	537,766

The consolidated financial statements on pages 52 to 134 were approved and authorised for issue by the Board of Directors on 30 June 2017 and are signed on its behalf by:

Mr. CHONG Kam Chau
Director

MR. CHONG Wa Pan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company											
	Share Capital HK$'000 (note 35)	Share premium reserve HK$'000 (note (i))	Special reserve HK$'000 (note (ii))	Share-based payment reserve HK$'000 (note (iii))	Foreign currency translation reserve HK$'000 (note (iv))	Statutory reserve HK$'000 (note (v))	Other reserve HK$'000 (note (vi))	Contribution reserve HK$'000 (note (vii))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015	3,623	193,212	105,309	3,698	80,059	20,250	–	15,840	226,624	648,615	7,907	656,522
Loss for the year	–	–	–	–	–	–	–	–	(66,002)	(66,002)	(4,531)	(70,533)
Other comprehensive income for the year:												
Exchange differences on translating foreign operations	–	–	–	–	(27,100)	–	–	–	–	(27,100)	(1,196)	(28,296)
Total comprehensive expense for the year	–	–	–	–	(27,100)	–	–	–	(66,002)	(93,102)	(5,727)	(98,829)
Lapse of options granted to directors	–	–	–	(119)	–	–	–	–	119	–	–	–
Dividend recognised as distribution (note 14)	–	–	–	–	–	–	–	–	(19,927)	(19,927)	–	(19,927)
Change in equity for the year	–	–	–	(119)	(27,100)	–	–	–	(85,810)	(113,029)	(5,727)	(118,756)
At 31 March 2016	3,623	193,212	105,309	3,579	52,959	20,250	–	15,840	140,814	535,586	2,180	537,766
At 1 April 2016	3,623	193,212	105,309	3,579	52,959	20,250	–	15,840	140,814	535,586	2,180	537,766
Profit (loss) for the year	–	–	–	–	–	–	–	–	18,383	18,383	(1,868)	16,515
Other comprehensive income for the year:												
Exchange differences on translating foreign operations	–	–	–	–	(30,620)	–	–	–	–	(30,620)	(1,407)	(32,027)
Total comprehensive expense for the year	–	–	–	–	(30,620)	–	–	–	18,383	(12,237)	(3,275)	(15,512)
Transfer to statutory reserve	–	–	–	–	–	7,512	–	–	(7,512)	–	–	–
Acquisition of a non-controlling interest (note 42)	–	–	–	–	–	–	(20)	–	–	(20)	20	–
Change in equity for the year	–	–	–	–	(30,620)	7,512	(20)	–	10,871	(12,257)	(3,255)	(15,512)
At 31 March 2017	3,623	193,212	105,309	3,579	22,339	27,762	(20)	15,840	151,685	523,329	(1,075)	522,254

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

Notes:

(i) Share premium reserve

Under the Companies Law of the Cayman Islands, the funds in the share premium reserve of the Company are distributable 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 they fall due in the ordinary course of business.

(ii) Special reserve

The special reserve of the Group arose as a result of the reorganisation (the "Reorganisation") implemented in the preparation for the listing of the Company's shares on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing") and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the Reorganisation, over the nominal value of the share capital of the Company issued in exchange therefore.

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

(v) Statutory reserve

The statutory reserve which is non-distributable, is appropriated from the profit after tax of the Group's subsidiaries in the People's Republic of China (the "PRC") under the applicable laws and regulations in the PRC.

(vi) Other reserve

Other reserve represents the difference between the proportionate share of the carrying amount of its subsidiaries' net assets and the consideration paid for the additional interests when the Group acquired non-controlling interests.

(vii) Contribution reserve

Contribution reserve represents contributions from shareholders for indemnity liabilities payable for periods prior to the Listing.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	29,708	(60,359)
Adjustments for:		
Amortisation of prepaid lease payments	1,464	1,558
Depreciation of property, plant and equipment	28,877	27,904
Write-off of inventories	3,288	–
Impairment loss on other receivables	–	14,560
Loss on disposal of property, plant and equipment	632	518
Allowance for doubtful debts	3,241	–
Reversal of impairment of trade receivables	(1,517)	–
Loss on disposal of held for trading investments	1,750	3,950
Loss on disposal of held-to-maturity investments	–	477
Gain on disposal of financial assets designated as at fair value through profit or loss	(349)	–
Gain on disposal of available-for-sale investments	(1,616)	–
Fair value changes of held for trading investments	(265)	27,495
Fair value changes of financial assets designated as at fair value through profit or loss	–	(127)
Fair value changes of derivative financial instruments	(11,655)	9,251
Fair value changes of investment properties	(1,620)	(3,420)
Expense on structured foreign currency forward contracts	19,171	19,419
Income from structured deposits	(1,623)	(1,197)
Dividend income from held for trading investments	(479)	(253)
Government subsidies	(2,130)	(301)
Finance costs	12,275	11,941
Interest income	(2,761)	(5,501)
Operating profit before working capital changes	76,391	45,915
(Increase) decrease in inventories	(35,731)	12,684
(Increase) decrease in trade and bills receivables	(27,996)	22,163
Decrease in prepayments, deposits and other receivables	3,366	4,651
Increase (decrease) in trade and bills payables	66,480	(29,714)
Increase (decrease) accruals and other payables	16,504	(3,427)
Cash generated from operations	99,014	52,272
Income tax paid	(8,880)	(3,230)
Net cash generated from operating activities	90,134	49,042

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(28,591)	(32,295)
Purchase of available-for-sale investment	–	(1,043)
Purchase of held for trading investments	(62,332)	(85,270)
Proceeds from disposal of held for trading investments	63,948	24,072
Proceeds from disposal of held-to-maturity investments	–	9,404
Proceeds from disposal of financial assets designated as at fair value through profit or loss	53,650	–
Deposits paid for acquisition of property, plant and equipment	(1,703)	(17,401)
(Increase) decrease in pledged bank deposits	(19,231)	28,875
Dividend income from held for trading investments	479	253
Proceeds from disposal of an available-for-sale investment	11,790	–
Cash outflow on structured foreign currency forward contracts	(19,171)	(19,419)
Cash inflow from structured deposits	1,623	1,197
Proceeds from disposal of property, plant and equipment	120	505
Interest received	2,761	6,549
Net cash generated from (used in) investing activities	3,343	(84,573)
FINANCING ACTIVITIES		
Draw down on new borrowings	227,819	178,248
Repayment of borrowings	(184,835)	(196,772)
Government subsidies	2,130	301
Repayment to a director	–	(135)
Dividend paid	–	(19,927)
Interest paid	(12,219)	(11,919)
Net cash generated from (used in) financing activities	32,895	(50,204)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,372	(85,735)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,175	3,370
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	121,867	204,232
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank and cash balances	250,414	121,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General information

The Company was incorporated in the Cayman Islands on 10 March 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Perfect Group Version Limited ("Perfect Group"), a company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section to the annual report.

The Company is an investment holding company and the principal activities of its principal subsidiaries are set out in note 45.

The shares of the Company were listed on the Main Board of the Stock Exchange on 26 February 2009.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its other subsidiaries is HK$.

Basis of preparation

The consolidated financial statements have been prepared on the going concern basis notwithstanding the Group had net current liabilities of approximately HK$32,474,000 as at 31 March 2017.

In the opinion of the directors of the Company, the Group is able to maintain itself as a going concern in the next twelve months from 31 March 2017 by taking into consideration the followings:

(i) bank borrowings amounting to approximately HK$94,058,000 that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause are shown under current liabilities. Directors of the Company are of the view that the chance for the banks to exercise their discretionary rights to demand immediate repayment is remote. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements in which case the net current liabilities position should become net current assets of approximately HK$61,584,000;

(ii) the unutilised banking facilities readily available to the Group amounted to approximately HK$390,264,000;

(iii) the Group is able to generate adequate cash flows to maintain its operations according to internal forecast;

(iv) there was a net cash generated from operating activities of approximately HK$90,134,000 for the year ended 31 March 2017 compared to a net cash generated from operating activities of approximately HK$49,042,000 for the year ended 31 March 2016, which show a substantial improvement in cash flow control; and

(v) the Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

Based on the above, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 March 2017. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any necessary adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
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 HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
HKFRS 14	Regulatory Deferral Accounts

The application of the new and 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.

New and amendments to HKFRSs issued but not yet effective

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

Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative[1]
Amendments to HKAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Investment Property[2]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions 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 & HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date yet to be determined
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Excepted as described below, the directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have a material impact on the amounts recognised in the Group's consolidated financial statements.

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

New and amendments to HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

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

— in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors of the Company do not anticipate that the application of HKFRS 9 may have a material impact of the Group's financial statements. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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

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

— Step 1: Identify the contract(s) with a customer

— Step 2: Identify the performance obligations in the contract

— Step 3: Determine the transaction price

— Step 4: Allocate the transaction price to the performance obligations in the contract

— Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

New and amendments to HKFRSs issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

In 2016, The HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments approximately of HK$74,609,000. However, the Group has not yet been able to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The Group has commenced an assessment of the impact of the other new and amended HKFRSs, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, held for trading investments, derivative financial instruments and financial assets designated as at fair value through profit or loss that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods 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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

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

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost 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 than an operating segment.

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 indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the cash-generating 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 of the unit 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.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company (see note 46) at cost less any identified impairment loss.

Property, plant and equipment

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments 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 straightline basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land for own use

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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 the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Club membership

Club membership with indefinite useful life is stated at cost less any impairment loss. Impairment is reviewed annually or when there is any indication that the club membership has suffered impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using 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.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profits or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling in the near term; or

— on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

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

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated unlisted equity securities as available-for-sale financial assets.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

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 assets, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as default or delinquency in interest and principal payments; or

— it becoming probable that the borrower will enter into 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 assets, such as trade and bills receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of 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 15 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss.

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.

Financial liabilities

Financial liabilities including trade and bills payables, accruals and other payables, amounts due to non-controlling shareholders and borrowings are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 cost, 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.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

A financial asset is derecognised 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 continues to recognise the asset to the extent of its continuing involvement and recognises 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

— the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

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

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income arising from technical services provided in respect of the internet business is recognised when the services are provided.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme"), Central Provident Fund System and central pension scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a reduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

When an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

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

Deferred tax

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 taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current and deferred tax for the year

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.

Impairment of tangible assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets and intangible assets (other than impairment of goodwill set out in accounting policy 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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the 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 the cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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 can be made of the amount of the obligation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

(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 of 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.

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

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

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

(iii) both entities are joint ventures of the same third party;

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

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

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

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

(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 Group's parent.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantively all of the economic benefits embodied in the investment properties over time, rather than sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

The followings 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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated. The directors of the Company estimate the recoverable amount based on a value-in-use calculation. 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2017, the carrying amount of goodwill is approximately HK$11,631,000 (2016: HK$11,631,000), net of accumulated impairment loss of HK$16,482,000 (2016: HK$16,482,000). Details of the recoverable amount calculation are disclosed in note 19.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimation of fair value of investment properties

As disclosed in note 18, the Group's investment properties were revalued at end of the reporting period on an open market value basis by an independent professional valuer. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. At 31 March 2017, the carrying amount of investment properties are approximately HK$209,800,000 (2016: HK$208,180,000).

Estimated impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the carrying amount of financial asset is less than its present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, and the financial health of and short-term business outlook for the investee. The Group disposed all available-for-sale investment during the year ended 31 March 2017 (at 31 March 2016: HK$10,609,000).

Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment as set out in note 17. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. At 31 March 2017, the carrying amount of property, plant and equipment are approximately HK$284,175,000 (2016: HK$283,125,000).

Allowance for doubtful debts

The Group makes allowance of doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and allowance for doubtful debt charged to profit or loss for the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

As at 31 March 2017, the carrying amount of trade and bills receivables was approximately HK$214,846,000 (2016: HK$198,112,000), net of allowance for doubtful debts of approximately HK$15,760,000 (2016: HK$14,590,000). As at 31 March 2017, the carrying amount of prepayments, deposits and other receivables was approximately HK$19,825,000 (2016: HK$24,527,000), net of impairment on prepayments, deposits and other receivables was approximately HK$14,560,000 (2016: HK$14,560,000).

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For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Allowance for inventories

Allowance for inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. As at 31 March 2017, the carrying amount of inventories was approximately HK$95,382,000 (2016: HK$68,057,000), net of write-off of inventories of approximately HK$3,288,000 (2016: Nil).

Value-added tax ("VAT")

The Group is subject to VAT in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of anticipated sales and purchases transactions 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 VAT recoverable or payables in the year in which such determination is made. At 31 March 2017, the carrying amount of VAT recoverable is approximately HK$4,205,000 (2016: HK$1,604,000) and the carrying amount of VAT payable is approximately HK$30,201,000 (2016: HK$38,436,000).

Fair value of derivatives and other financial instruments

As described in note 6, the management of the Group uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of those derivatives may change. At 31 March 2017, the carrying amount of derivative financial instruments which classifies as financial liabilities is HK$2,176,000 (2016: HK$13,831,000) respectively.

For financial assets designated as at FVTPL, assumptions are made based on quoted market prices adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of those instruments may change. All financial assets designated as at FVTPL were disposed during the year ended 31 March 2017 (at 31 March 2016: HK$53,301,000).

5. 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 year.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at the end of the reporting period was as follows:

	2017 HK$'000	2016 HK$'000
Debt (a)	**492,639**	450,170
Less: Bank and cash balances	**(250,414)**	(121,867)
Net debt	**242,225**	328,303
Equity (b)	**523,329**	535,586
Net debt to equity ratio	**46%**	61%

(a) Debt is defined as short-term and long-term borrowings, as detailed in notes 32 and 33 respectively.

(b) Equity includes all capital and reserves of the Group attributable to owners of the Company.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets:		
Available-for-sale investments, at cost	**–**	10,609
At FVTPL		
Designated as at FVTPL	**–**	53,301
Held for trading investments	**33,392**	36,493
	33,392	89,794
Loans and receivables (including cash and cash equivalents)	**479,910**	476,507
Financial liabilities:		
At amortised cost	**732,551**	619,497
At FVTPL		
Derivative financial instruments	**2,176**	13,831

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amounts due from non-controlling shareholders, held for trading investments, derivative financial instruments, available-for-sale investments, financial assets designated as at fair value through profit or loss, bank and cash balances, trade and bills payables, accruals and other payables, amounts due to non-controlling shareholders and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

i. *Currency risk*

Other than the subsidiaries established in the PRC whose functional currency is RMB, the functional currency of the Company and other subsidiaries functional currency is HK$. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars ("US$")	**78,691**	37,970	**13,711**	25,387
RMB	**30**	114	**–**	100
HK$	**15,560**	742	**–**	654
	94,281	38,826	**13,711**	26,141

The following table demonstrates the sensitivity to a increase in the value of foreign currency against functional currency with all other variables held constant, of the Group's profit (loss) after tax. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a increase in foreign currency rates. A positive number indicates a decrease in loss or increase in profit (loss) after tax. If the foreign currency rate changes in opposite direction with all other variables held constant, there would be an equal and opposite impact on the Group's profit (loss) after tax.

The Group currently has entered into foreign currency forward contracts to reduce the currency exposures arising from amounts denominated in RMB and US$. The Group has not accounted for such forward contracts using hedge accounting and they are deemed as derivative financial instruments.

The Group currently does not have any US$, RMB and HK$ hedging policy but the management monitors US$, RMB and HK$ exchange exposure and will consider hedging significant US$, RMB and HK$ exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

i. Currency risk (Continued)

Sensitivity analysis

	Foreign currency rate movement	**Increase in profit after tax HK$'000**
Year ended 31 March 2017		
— US$	**+1%**	**650**
— RMB	**+10%**	**3**
— HK$	**+10%**	**1,556**

	Foreign currency rate movement	Decrease in loss after tax HK$'000
Year ended 31 March 2016		
— US$	+1%	105
— RMB	+10%	1
— HK$	+10%	7

For structured foreign currency forward contracts, an increase in the foreign currency rate movement for RMB/US$ used in isolation would result in a decrease in profit after tax, and vice versa. A 3% increase in the foreign currency rate movement for RMB/US$ holding all other variables constant would decrease the profit after tax by approximately HK$617,000 (2016: increase the loss after tax by approximately HK$8,424,000). A 3% decrease in the foreign currency rate movement for RMB/US$ holding all other variables constant would increase the profit after tax by approximately HK$652,000 (2016: decrease the loss after tax by approximately HK$8,286,000).

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

ii. Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see notes 32 and 33 for details of these borrowings). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly related to the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's bank borrowings.

The Group's fixed bank deposits, amounts due to non-controlling shareholders and borrowings (see notes 28, 31, 32 and 33 respectively) bear interests at fixed or floating interest rates and therefore are subject to fair value interest rate risk. The directors of the Company consider the Group's exposure to interest rate risk on fixed bank deposits, amounts due to non-controlling shareholders and borrowings is not significant.

The Group's cash flow interest rate risk primarily relates to variable-rate bank deposits and bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable rate bank deposits and borrowings at the end of the reporting period. The analysis is prepared assuming the amounts of bank deposits and borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 100 basis point (2016: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the Group's profit after tax for the year ended 31 March 2017 would increase/decrease by HK$887,000 (2016: loss increase/decrease by HK$1,922,000).

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

iii. Other price risk

The Group is exposed to equity price risk through its held for trading investments and financial assets designated as at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on a particular equity stock traded in the Stock Exchange of Hong Kong. The management monitors the equity price exposure by regularly reviewing and maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. If the prices of the respective equity instruments had been 10% (2016: 10%) higher/lower and all other variables were held constant, the Group's profit after tax for the year ended 31 March 2017 would have decrease/increase by approximately HK$3,339,000 (2016: loss after tax decrease/increase HK$7,237,000) as a result of the changes in fair value of held for trading investments and financial assets designated at FVTPL.

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 trade and bill receivables, deposits and other receivables, bank and cash balances and pledged bank deposits included in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and bills receivables. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors of the Company review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The Group has no significant concentration of credit risk. The percentage of trade and bills receivables due from the Group's five largest customers in aggregate to the Group's total trade receivables net of allowance is 21% (2016: 20%) as at 31 March 2017.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 77% (2016: 56%) of the total trade and bills receivables as at 31 March 2017.

The credit risk on liquid funds is limited because the counterparties are mainly well-recognised financial institutions.

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2017						
Non-derivative financial liabilities						
Bank and other borrowings	485,728	1,757	5,272	579	493,336	492,639
Trade and bills payables	158,127	–	–	–	158,127	158,127
Accruals and other payables	50,054	–	–	–	50,054	50,054
Amounts due to non-controlling shareholders	29,230	1,190	1,772	–	32,192	31,731
	723,139	2,947	7,044	579	733,709	732,551
Derivatives — net settlement						
Structured foreign currency forward contracts	2,176	–	–	–	2,176	2,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2016						
Non-derivative financial liabilities						
Bank and other borrowings	450,370	1,750	5,251	2,334	459,705	450,170
Trade and bills payables	99,126	–	–	–	99,126	99,126
Accruals and other payables	37,688	–	–	–	37,688	37,688
Amounts due to non-controlling shareholders	28,039	1,203	3,609	–	32,851	32,513
	615,223	2,953	8,860	2,334	629,370	619,497
Derivatives — net settlement						
Structured foreign currency forward contracts	13,831	–	–	–	13,831	13,831

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 March 2017 and 2016, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$94,058,000 and HK$94,803,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid within 1 to 5 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$98,729,000 (2016: HK$99,351,000).

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

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Levels 1 to 2 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	Level 1 HK$'000	**Level 2 HK$'000**	**Total HK$'000**
Financial assets at FVTPL			
Held for trading investments	**33,392**	**–**	**33,392**
Financial liabilities at FVTPL			
Derivative financial instrument	**–**	**2,176**	**2,176**

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets at FVTPL			
Held for trading investments	36,493	–	36,493
Financial assets designated at FVTPL — Equity linked notes	–	53,301	53,301
	36,493	53,301	89,794
Financial liabilities at FVTPL			
Derivative financial instrument	–	13,831	13,831

There were no transfer between levels of fair value hierarchy in the current and prior years.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements recognised in the consolidated statement of financial position (Continued)

The valuation techniques and inputs used in Level 2 fair value measurements of financial instruments as set out below:

	Valuation technique	Key input
Equity linked notes	Monte-Carlo simulation	Fair value is obtained by repeated random sampling of results based on: (a) Risk-free rate (b) Volatility (c) Average date market price (d) Initial reference price (e) Contractual amount (f) Time to maturity
Structured foreign currency forward contracts	Monte-Carlo simulation	Fair value is obtained by repeated random sampling of results based on: (a) Contractual amount (b) Risk-free rate (c) Time to maturity (d) Spot exchange rate (e) Volatility (f) Settlement date market forward exchange rate (g) Target knock-out rate limit

The valuation techniques were the same for the year ended 31 March 2017 and 2016.

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

7. REVENUE AND SEGMENT INFORMATION

Revenue of the Group represents revenue arising on sale of goods and gross rental income received during the year.

Segment information

The chief operating decision makers have been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management determined the operating segments based on the internal reports.

The Group has three reportable and operating segments under HKFRS 8 as follows:

Corrugated products	–	manufacture and sale of corrugated board and corrugated paper-based packing products;
Offset printed corrugated products	–	manufacture and sale of offset printed corrugated products; and
Properties leasing	–	properties leased in Hong Kong for rental income.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 March 2017

	Corrugated products HK$'000	Offset printed corrugated products HK$'000	Properties leasing HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue					
External sales	691,422	149,737	4,387	–	845,546
Inter-segment sales	27,301	13,482	–	(40,783)	–
Total	718,723	163,219	4,387	(40,783)	845,546
Segment profit	42,708	9,935	2,718		55,361
Fair value changes of derivative financial instruments					11,655
Dividend income from held for trading investments					479
Fair value changes of held for trading investments					265
Expense on structured foreign currency forward contracts					(19,171)
Income from structured deposits					1,623
Gain on disposal of financial assets designated as at FVTPL					349
Gain on disposal of available-for-sale investment					1,616
Loss on disposal of held for trading investments					(1,750)
Finance costs					(12,275)
Corporate income and expenses					(8,444)
Profit before tax					29,708

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 March 2016

	Corrugated products HK$'000	Offset printed corrugated products HK$'000	Properties leasing HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue					
External sales	660,910	149,589	4,628	–	815,127
Inter-segment sales	27,240	10,700	–	(37,940)	–
Total	688,150	160,289	4,628	(37,940)	815,127
Segment profit	26,614	7,012	7,391		41,017
Fair value changes of derivative financial instruments					(9,251)
Dividend income from held for trading investments					253
Fair value changes of held for trading investments					(27,495)
Expense on structured foreign currency forward contracts					(19,419)
Income from structured deposits					1,197
Fair value changes of financial assets designated as at FVTPL					127
Loss on disposal of held-to-maturity investments					(477)
Loss on disposal of held for trading investments					(3,950)
Finance costs					(11,941)
Impairment loss on other receivables					(14,560)
Corporate income and expenses					(15,860)
Loss before tax					(60,359)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profits represented the profit earned from each segment without allocation of fair value changes of derivative financial instruments, fair value changes of financial assets designated as at FVTPL, fair value changes of held for trading investments, expense on structured foreign currency forward contracts, income from structured deposits, dividend income from held for trading investments, gain on disposal of available-for-sale investment, loss on disposal of held for trading investments, loss on disposal of held-to-maturity investments, impairment loss on other receivables, finance costs and corporate income and expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 31 March 2017

	Corrugated products HK$'000	Offset printed corrugated products HK$'000	Properties leasing HK$'000	Total HK$'000
Segment assets	919,296	136,321	209,205	1,264,822
Total assets for reportable segments				1,264,822
Unallocated items:				
Leasehold land in Hong Kong for corporate use				1,205
Investment properties				1,100
Goodwill				11,631
Club membership				366
Amounts due from non-controlling shareholders				29
Tax recoverable				1,000
Held for trading investments				33,392
Bank balances managed on central basis				1,774
Others				15,176
Consolidated assets				1,330,495
Segment liabilities	215,078	28,189	3,611	246,878
Total liabilities for reportable segments				246,878
Unallocated items:				
Tax liabilities				26,238
Deferred tax liabilities				3,818
Amounts due to non-controlling shareholders				31,731
Borrowings				492,639
Derivative financial instruments				2,176
Others				4,761
Consolidated liabilities				808,241

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7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 March 2016

	Corrugated products HK$'000	Offset printed corrugated products HK$'000	Properties leasing HK$'000	Total HK$'000
Segment assets	778,256	120,329	208,014	1,106,599
Total assets for reportable segments				1,106,599
Unallocated items:				
Leasehold land in Hong Kong for corporate use				1,246
Investment properties				780
Goodwill				11,631
Club membership				366
Amounts due from non-controlling shareholders				29
Tax recoverable				285
Held for trading investments				36,493
Bank balances managed on central basis				8,306
Available-for-sale investments				10,609
Financial assets designated as at FVTPL				53,301
Others				11,978
Consolidated assets				1,241,623
Segment liabilities	141,791	33,339	893	176,023
Total liabilities for reportable segments				176,023
Unallocated items:				
Tax liabilities				22,350
Deferred tax liabilities				4,060
Amounts due to non-controlling shareholders				32,513
Borrowings				450,170
Derivative financial instruments				13,831
Others				4,910
Consolidated liabilities				703,857

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to segments other than leasehold land in Hong Kong for corporate use, investment property for capital appreciation purposes, goodwill, club membership, amounts due from non-controlling shareholders, held for trading investments, bank balances managed on central basis, available-for-sale investments, financial assets designated as at FVTPL, tax recoverable and corporate assets; and

- all liabilities are allocated to segments other than tax liabilities, deferred tax liabilities, amounts due to non-controlling shareholders, derivative financial instruments, borrowings and corporate liabilities.

Other segment information:

2017

	Corrugated products HK$'000	Offset printed corrugated products HK$'000	Properties leasing HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:					
Depreciation and amortisation	22,328	7,992	–	21	30,341
Additions to non-current assets (note)	27,575	2,144	–	575	30,294
Loss on disposal of property, plant and equipment	630	2	–	–	632
Allowance for doubtful debts	–	3,241	–	–	3,241
Write-off of inventories	3,288	–	–	–	3,288
Reversal of impairment of trade receivables	(1,517)	–	–	–	(1,517)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	(2,615)	(31)	–	(115)	(2,761)
Interest expenses	9,937	2,059	279	–	12,275
Income tax expense	12,247	1,007	(61)	–	13,193

Note: Additions to non-current assets included property, plant and equipment and deposits paid for acquisition of property, plant and equipment.

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For the year ended 31 March 2017

7. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information: (Continued)

2016

	Corrugated products HK$'000	Offset printed corrugated products HK$'000	Properties leasing HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:					
Depreciation and amortisation	21,246	8,162	–	54	29,462
Additions to non-current assets (note)	28,563	21,133	–	–	49,696
Loss on disposal of property, plant and equipment	518	–	–	–	518
Impairment loss on other receivables	–	–	–	14,560	14,560
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	(5,480)	(21)	–	–	(5,501)
Interest expenses	9,549	2,100	292	–	11,941
Income tax expense	7,110	1,581	82	1,401	10,174

Note: Additions to non-current assets included property, plant and equipment and deposits paid for acquisition of property, plant and equipment.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information:

The Group's operations are located in the People's Republic of China (the "PRC"), Hong Kong and Macau.

Information about the Group's revenue from external customers is presented based on the location of the customers and information about its non-current assets is presented based on the geographical location as detailed below:

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**122,356**	113,659	**212,958**	272,618
Macau	**97,920**	129,544	**48**	57
PRC except Hong Kong and Macau	**625,270**	571,924	**343,902**	318,594
Consolidated total	**845,546**	815,127	**556,908**	591,269

Note: Non-current assets included prepaid lease payments, property, plant and equipment, investment properties, deposits paid for acquisition of property, plant and equipment and club membership.

Information about a major customer:

Details of the customer accounted for 10% or more of the aggregate revenue of the Group during the year are as follows:

	2017	2016
	HK$'000	HK$'000
Customer A[1]	**91,868**	102,953

[1] Revenue from corrugated products.

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8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Dividend income from held for trading investments	**479**	253
Government subsidies (note (a))	**2,130**	301
Interest income	**2,761**	5,501
Income from online game and internet business	**2,587**	2,381
Sundry income	**959**	1,275
	8,916	9,711

Note:

(a) During the year, government grants received by the Group from the government for the contribution of the business development, local incentives and design and development of environmental-protected corrugated paper-based packaging products are directly recognised in profit or loss.

9. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Loss on disposal of held-to-maturity investments	**–**	(477)
Gain on disposal of available-for-sales investments	**1,616**	–
Gain on disposal of financial assets designated as at FVTPL	**349**	–
Loss on disposal of held for trading investments	**(1,750)**	(3,950)
Fair value changes of derivative financial instruments	**11,655**	(9,251)
Fair value changes of held for trading investments	**265**	(27,495)
Fair value changes of financial assets designated as at FVTPL	**–**	127
Fair value changes of investment properties	**1,620**	3,420
Income from structured deposits	**1,623**	1,197
Expense on structured foreign currency forward contracts	**(19,171)**	(19,419)
	(3,793)	(55,848)

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on:		
— bank borrowings	**11,318**	10,904
— other borrowings	**403**	428
— amount due to a non-controlling shareholder	**554**	609
	12,275	11,941

11. INCOME TAX EXPENSE

	2017 **HK$'000**	2016 HK$'000
Hong Kong Profits Tax		
Current tax	**507**	1,089
(Over)/under provision in previous years	**(69)**	281
	438	1,370
PRC enterprise income tax ("EIT")		
Current tax	**9,754**	7,756
Under provision in previous years	**–**	87
Withholding tax	**3,001**	–
	12,755	7,843
Deferred tax	**–**	961
	13,193	10,174

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits. Tax charge on profits assessable in other jurisdictions has been calculated at the rates of tax prevailing in the relevant jurisdictions for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon distribution of such profits to foreign investors in Hong Kong.

A portion of the Group's profit for the years ended 31 March 2017 and 2016 are earned by the Macau subsidiaries of the Group incorporated under the Macao SAR's Offshore Law. Pursuant to the Macao SAR's Offshore Law, such portion of profits is exempted from Macau complimentary tax. Further, in the opinion of the directors of the Company, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

During the year, the Inland Revenue Department of Hong Kong ("IRD") issued estimated assessment and additional assessment for the year of assessment 2009/10 and 2010/11 to six subsidiaries of the Group amounting to HK$7,260,000. The Group had made objections to IRD on these assessments and purchase tax reserve certificates amounting to HK$1,000,000. IRD has held over the payment of profits tax of HK$4,775,000.

Having taken the advices from the Group's tax advisor, the directors of the Company are of the opinion that, as at 31 March 2017, the provision for taxation made in the consolidated financial statements is sufficient and not excessive.

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12. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging (crediting) the followings:

	2017 HK$'000	2016 HK$'000
Depreciation for property, plant and equipment	**28,877**	27,904
Amortisation of prepaid lease payments	**1,464**	1,558
Total depreciation and amortisation	**30,341**	29,462
Cost of inventories sold (note (a))	**660,592**	644,862
Direct operating expense of investment properties that generate rental income	**92**	153
Total cost of goods sold	**660,684**	645,015
Auditors' remuneration		
Audit service	**1,000**	1,210
Non-audit service	**100**	–
Loss on disposal of property, plant and equipment	**632**	518
Minimum lease payment paid under operating lease in respect of land and buildings	**19,900**	22,507
Allowance for doubtful debts (included in other operating expenses)	**3,241**	–
Reversal of impairment of trade receivables (included in other operating expenses)	**(1,517)**	–
Net foreign exchange loss	**5,039**	2,259
Impairment loss on other receivables (included in other operating expenses)	**–**	14,560
Write-off of inventories	**3,288**	–

Note:

(a) Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$104,392,000 (2016: HK$113,057,000) which are included in the amounts disclosed separately above for depreciation and operating lease charges.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 6 (2016: 7) directors were as follows:

For the year ended 31 March 2017

	Fees HK'000	Salaries and other benefits HK$'000	Discretionary Bonus (note (i)) HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Executive directors:					
Mr. CHONG Kam Chau	–	2,000	–	18	2,018
Mr. CHONG Wa Pan (note (ii))	–	1,400	–	18	1,418
Mr. CHONG Wa Ching	–	1,160	–	18	1,178
	–	4,560	–	54	4,614
Independent non-executive directors:					
Mr. CHAU On Ta Yuen	100	–	–	–	100
Ms. TSUI Pui Man	100	–	–	–	100
Mr. LAW Tze Lun	100	–	–	–	100
	300	–	–	–	300
	300	4,560	–	54	4,914

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13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 March 2016

	Fees HK'000	Salaries and other benefits HK$'000	Discretionary Bonus (note (i)) HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Executive directors:					
Mr. CHONG Kam Chau	–	2,000	1,500	18	3,518
Mr. CHONG Wa Pan (note (ii))	–	1,400	1,000	18	2,418
Mr. CHONG Wa Ching	–	1,160	500	18	1,678
Mr. LUK Kwok Tung, Eric (note (iii))	–	260	–	8	268
	–	4,820	3,000	62	7,882
Independent non-executive directors:					
Mr. CHAU On Ta Yuen	100	–	–	–	100
Ms. TSUI Pui Man	100	–	–	–	100
Mr. LAW Tze Lun	100	–	–	–	100
	300	–	–	–	300
	300	4,820	3,000	62	8,182

Notes:

(i) The discretionary bonus is determined by the remuneration committee of the Company with reference to the financial performance of the Group and the performance of individual directors.

(ii) Mr. CHONG Wa Pan is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(iii) Mr. LUK Kwok Tung, Eric resigned as an executive director on 1 October 2015.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Directors' termination benefits

During the year ended 31 March 2017, there was no termination benefits received by the Directors (2016: Nil).

(c) Consideration provided to third parties for making available Directors' services

During the year ended 31 March 2017, no consideration was paid for making available the services of the Directors (2016: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors

During the year ended 31 March 2017, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of Directors (2016: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

(f) Employees' emoluments

	2017 HK$'000	2016 HK$'000
Directors' emoluments (note 13(a))	**4,914**	8,182
Other staff costs		
— Other staff salaries, bonus and allowances	**111,104**	123,279
— Retirement benefits scheme contributions (excluding directors)	**6,945**	7,858
	122,963	139,319

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining two (2016: two) individual were as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other allowances	**1,564**	1,723
Discretionary bonus	**3,224**	6,046
	4,788	7,769

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For the year ended 31 March 2017

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(f) Employees' emoluments (Continued)

Their emoluments were within the following band:

	Number of individuals 2017	2016
HK$1,500,000 — HK$2,000,000	1	–
HK$2,500,000 — HK$3,000,000	–	1
HK$3,000,001 — HK$3,500,000	1	–
HK$3,500,001 — HK$4,000,000	–	–
HK$5,000,000 — HK$5,500,000	–	1
	2	2

(g) During the year ended 31 March 2017, no emoluments were paid by the Group to any of the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group (2016: nil).

14. DIVIDEND

	2017 HK$'000	2016 HK$'000
Dividend recognised as distribution during the year 2016 Final dividend — Nil (2016: 2015 Final dividend — HK5.5 cents) per share	–	19,927

No final dividend for the year ended 31 March 2017 was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS (LOSS) PER SHARE

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

Earnings (Loss)

	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to owners of the Company	**18,383**	(66,002)

Number of shares

	2017 Number of shares	2016 Number of shares
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**362,300,000**	362,300,000

The calculation of diluted earnings (loss) per share for the year ended 31 March 2017 and 2016 did not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price for shares for the both 2017 and 2016.

16. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Current portion	**1,434**	1,528
Non-current portion	**58,674**	64,041
	60,108	65,569

At 31 March 2017, the carrying amount of the prepaid lease payments which have been pledged as security for the banking facilities granted to the Group, is approximately HK$12,925,000 (2016: HK$14,115,000) (note 37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold land in Hong Kong under finance lease HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 April 2015	123,294	2,209	37,569	368,639	15,285	20,042	29,930	596,968
Additions	1,343	–	1,195	2,532	55	1,222	48,300	54,647
Transfer from construction in progress	–	–	443	21,133	–	–	(21,576)	–
Disposals	–	–	–	(2,076)	(153)	(537)	–	(2,766)
Exchange differences	(6,047)	–	(1,502)	(14,628)	(406)	(563)	(2,276)	(25,422)
At 31 March 2016 and 1 April 2016	118,590	2,209	37,705	375,600	14,781	20,164	54,378	623,427
Additions	10,137	–	2,281	3,573	262	890	32,027	49,170
Transfer from construction in progress	53,356	–	–	22,508	101	–	(75,965)	–
Disposal	–	–	–	(2,865)	–	(2,998)	–	(5,863)
Written off	(625)	–	–	(28)	(278)	(1,782)	–	(2,713)
Exchange differences	(8,623)	–	(637)	(18,612)	(807)	(701)	(4,516)	(33,896)
At 31 March 2017	172,835	2,209	39,349	380,176	14,059	15,573	5,924	630,125
Accumulated depreciation and impairment								
At 1 April 2015	21,407	923	26,582	252,130	10,323	13,792	–	325,157
Charge for the year	5,287	40	1,996	17,079	1,311	2,191	–	27,904
Disposals	–	–	–	(1,321)	(127)	(295)	–	(1,743)
Exchange differences	(1,094)	–	(1,135)	(8,123)	(144)	(520)	–	(11,016)
At 31 March 2016 and 1 April 2016	25,600	963	27,443	259,765	11,363	15,168	–	340,302
Charge for the year	7,250	41	2,461	16,372	1,287	1,466	–	28,877
Disposals	–	–	–	(2,361)	–	(2,988)	–	(5,349)
Written off	(557)	–	–	(2)	(157)	(1,759)	–	(2,475)
Exchange differences	(1,789)	–	(1,618)	(10,953)	(550)	(495)	–	(15,405)
At 31 March 2017	30,504	1,004	28,286	262,821	11,943	11,392	–	345,950
Carrying amounts								
At 31 March 2017	142,331	1,205	11,063	117,355	2,116	4,181	5,924	284,175
At 31 March 2016	92,990	1,246	10,262	115,835	3,418	4,996	54,378	283,125

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives:

Buildings	Over the shorter of the lease term, or 20 years
Leasehold land in Hong Kong under finance lease	Over the lease term
Leasehold improvements	5–10 years
Plant and machinery	5–10 years
Furniture, fixtures and Equipment	3–10 years
Motor vehicles	5–10 years

The buildings situated in Hong Kong, which have been fully depreciated, and leasehold land in Hong Kong are pledged as security for the banking facilities granted to the Group is approximately HK$1,205,000 (2016: HK$1,246,000) as at 31 March 2017 (note 37).

At 31 March 2017, the carrying amount of the buildings situated in the PRC which have been pledged as security for the banking facilities granted to the Group, is approximately HK$13,255,000 (2016: HK$16,880,000) (note 37).

18. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 April 2015	204,760
Increase in fair value recognised in profit or loss (note 9)	3,420
At 31 March 2016 and 1 April 2016	208,180
Increase in fair value recognised in profit or loss (note 9)	1,620
At 31 March 2017	209,800

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 March 2017 the Group's investment properties of HK$208,700,000 (2016: HK$208,180,000) have been pledged to secure banking facilities granted to the Group (note 37).

The fair values of the Group's investment properties as at 31 March 2017 and 31 March 2016 have been arrived at on the basis of a valuation carried out on the respective dates by Grant Sherman Appraisal Limited, independent qualified professional valuer not connected to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There were no transfers between levels in fair value hierarchy during the year.

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18. INVESTMENT PROPERTIES (Continued)

Information about Level 2 fair value measurements of investment properties:

	Valuation technique	Key input
All investment properties	Market approach	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.

19. GOODWILL

	HK$'000
Cost	
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	28,113
Impairment	
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	16,482
Carrying values	
At 31 March 2017	11,631
At 31 March 2016	11,631

The Group acquired 51% equity interest in Think Speed Group Limited ("TSGL") with a goodwill of approximately HK$16,482,000 and 100% equity interest in Sky Achiever Holdings Limited ("SAH") with a goodwill of approximately HK$11,631,000.

Goodwill arising from a business combination is allocated, on acquisition, to the cash generating units (the "CGU"s) that are expected to benefit from that business combination. The management considers goodwill arising from the acquisition of TSGL and SAH is allocated to three separate CGUs for the purpose of goodwill impairment testing. A CGU for SAH is included in the segment of corrugated products whereas the remaining two CGUs for TSGL are included in the unallocated segment. During the year ended 31 March 2014, the performance of two CGUs for TSGL was not carried out according to the designated schedule and operating losses were incurred without satisfactory income streams to the Group. As a result, the management has revisited the business of TSGL and implemented a reorganisation scheme to reform the above two CGUs into one for exploring another business. Impairment loss on goodwill of TSGL was fully impaired during the year ended 31 March 2015.

19. GOODWILL (Continued)

SAH

The recoverable amount of SAH of approximately HK$30,294,000 (2016: HK$24,300,000) has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-year period, and discount rate of 17.64% (2016: 17.40%). SAH's cash flows beyond the 5-year period are extrapolated using zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on past performance and management's expectations for the market development. The directors of the Company believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of SAH to exceed the aggregate recoverable amount of SAH, and no impairment loss of goodwill was necessary.

20. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Included in the amount mainly is a deposit paid for the acquisition of plant and machinery of approximately RMB3,456,000 (equivalent to approximately HK$3,893,000 (2016: RMB19,554,000 (equivalent to approximately HK$23,467,000)).

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted equity securities investment, at cost	**–**	10,609

As at 31 March 2016, the unlisted equity investment represents investment in 20% unlisted equity securities issued by a private entity incorporated in the PRC. The Group's interest in the investment is classified as an available-for-sale investment as the Group has no representative in the management of the private entity and did not have any significant influence in the private entity.

All unlisted investment had been disposed during the year ended 31 March 2017.

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22. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Equity-linked note A	–	19,148
Equity-linked notes B	–	34,153
	–	53,301
Analysed for reporting purpose as:		
Current assets	–	53,301

Equity-linked note A

The equity linked note contained embedded derivative, the return of which was determined with reference to average quarterly performance of a basket of twelve exchange traded funds listed in different countries (the "Performance Linkage 1"). The principal amount was US$2,500,000 (equivalent to approximately HK$19,412,000 on the acquisition date) and due on 15 March 2017. The redemption payment on maturity of the equity linked note is linked to the average quarterly performance of Performance Linkage 1 over a period commencing on the trade date to the maturity date. The Group will receive their initial investment if the equity linked note is held-to-maturity irrespective of the average quarterly performance of the Performance Linkage 1 and even if such performance is negative. The note is subject to the option for early termination at the discretion of holders.

Equity-linked notes B

The equity linked notes contained embedded derivative, the return of which was determined with reference to average quarterly performance of a basket of eight exchange traded funds listed in different countries (the "Performance Linkage 2"). The total principal amounts were US$2,500,000 (equivalent to approximately HK$19,412,000 on the acquisition date) and US$1,920,000 (equivalent to approximately HK$14,907,000 on the acquisition date) which are due on 17 June 2016 and 4 August 2016 respectively. The redemption payment on maturity of the equity linked note is linked to the average quarterly performance of Performance Linkage 2 over a period commencing on their trade dates to the maturity dates. The Group will receive their initial investment if the equity linked notes are held-to-maturity irrespective of the average quarterly performance of the Performance Linkage 2 and even if such performance is negative. The notes are subject to the option for early termination at the discretion of holders.

At 31 March 2016, the equity linked notes were designated as financial assets at FVTPL upon initial recognition as it contained embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL. The amounts were stated at fair values at 31 March 2016 based on valuation reports prepared by independent qualified professional valuers not connected with the Group.

All of these equity linked notes had been disposed during the year ended 31 March 2017.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Financial liabilities		
Derivative not under hedge accounting:		
Structured foreign currency forward contracts (note (a))	**(2,176)**	(13,831)
Analysed for reporting purpose as:		
Current liabilities	**(2,176)**	(13,831)

Notes:

(a) The Group has entered into the structured foreign currency forward contracts with different banks during the years ended 31 March 2017 and 2016, of which the purpose is to manage the Group's foreign currency exposure in relation to its receivables arising from time to time denominated partly in US$. The structured foreign currency forward contracts comprise either non-deliverable or deliverable settlement on a monthly basis, that is, measured at 24 different expiry dates, save for the event leading to the knock-out and termination of the contracts.

Major terms of the foreign currency forward contracts are as follows:

As at 31 March 2017

Notional amounts	Maturity	Exchange rates
Sell US$1,000,000	13 April 2017	US$1: RMB6.2800
Sell US$2,000,000	10 April 2017	US$1: RMB6.2450

As at 31 March 2016

Notional amounts	Maturity	Exchange rates
Sell US$1,000,000	13 April 2017	US$1: RMB6.2800
Sell US$2,000,000	10 April 2017	US$1: RMB6.2450

During the year ended 31 March 2017, the fair value loss of approximately HK$11,655,000 (2016: HK$9,251,000) and expense of approximately HK$19,171,000 (2016: expense of approximately HK$19,419,000) have been recognised in profit or loss for the year.

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24. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	82,709	55,804
Work in progress	2,272	1,363
Finished goods	13,689	10,890
	98,670	68,057
Less: Inventories written off	(3,288)	–
	95,382	68,057

All inventories were stated at cost as at 31 March 2017 and 2016.

25. TRADE AND BILLS RECEIVABLES

Payment terms with customers are mainly on credit and on cash on delivery. The credit periods ranged from 15 days to 120 days after the end of the month in which the revenue is recognised and invoiced. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The ageing analysis of trade and bills receivables, based on the due date for settlement, is as follows:

	2017 HK$'000	2016 HK$'000
Trade receivables:		
Not yet due for settlement	191,479	172,509
Overdue:		
1 to 30 days	11,744	5,897
31 to 90 days	2,857	7,589
91 to 365 days	3,453	2,813
Over 1 year	13,774	18,669
	223,307	207,477
Less: Allowance for doubtful debts	(15,760)	(14,590)
	207,547	192,887
Bills receivables	7,299	5,225
	214,846	198,112

25. TRADE AND BILLS RECEIVABLES (Continued)

Included in the Group's trade receivable balance are debtors (see below for ageing analysis) who are past due as at the reporting date for which the Group has not provided for impairment loss because there was no significant change in credit quality and the amounts are still considered recoverable. Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
Overdue by:		
1 to 90 days	14,601	13,486
91 to 365 days	1,467	2,813
Over 1 year	–	4,079
Total	16,068	20,378

Movement in the allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
At 1 April	14,590	15,117
Allowance for doubtful debts for overdue trade receivables	3,241	–
Reversal of impairment of trade receivables	(1,517)	–
Exchange differences	(554)	(527)
At 31 March	15,760	14,590

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$15,760,000 (2016: HK$14,590,000) which have either been placed under liquidation or in severe financial difficulties.

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For the year ended 31 March 2017

25. TRADE AND BILLS RECEIVABLES (Continued)

The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	34,731	29,082
US$	13,969	25,839
RMB	165,579	142,076
Australian dollars	567	1,115
	214,846	198,112

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	999	2,064
Deposits	3,695	4,708
Other receivables	15,131	17,755
Profit guarantee receivable (note)	14,560	14,560
	34,385	39,087
Less: impairment loss recognised	(14,560)	(14,560)
	19,825	24,527

Note: As at 31 March 2015, the profit guarantee contract for TSGL has been matured. As the audited consolidated net profit of TSGL for the two years ended on 31 March 2014 is less than HK$20,000,000, the TSGL's vendor and the certain guarantors have to jointly and severally liable to pay the Group of HK$14,560,000. During the year ended 31 March 2016, the profit guarantee receivable was fully impaired due to the recoverability is remote and the impairment was recognised as other operating expenses.

Movement on the impairment of prepayments, deposits and other receivables

	2017 HK$'000	2016 HK$'000
At 1 April	14,560	–
Impairment loss recognised	–	14,560
At 31 March	14,560	14,560

At the end of the reporting period, the Group's prepayments, deposits and other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on credit history of its debtors and current business relationship. The Group does not hold any collateral over these balances.

27. HELD FOR TRADING INVESTMENTS

	2017 HK$'000	2016 HK$'000
Equity securities listed in Hong Kong	**5,956**	5,771
Equity securities listed in the PRC	**27,436**	30,722
	33,392	36,493

All held for trading investments were stated at fair value based on quoted market prices.

28. PLEDGED BANK DEPOSITS/BANK AND CASH BALANCES

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks with original maturity of more than three months to secure banking facilities granted to the Group (note 37). Deposits amounting to approximately HK$145,634,000 (2016: HK$135,640,000) have been pledged to secure short-term bank loans and undrawn facilities and are therefore classified as current assets.

The Group's pledged bank deposits of approximately HK$145,634,000 (2016: HK$135,640,000) are arranged at fixed rates for the year ended 31 March 2017 and carry average interest rates of 2.5% (2016: 2.6%) per annum and therefore subject to fair value interest rate risk which the directors of the Company considered as not significant.

The remaining bank and cash balances carried interest at average market rates from 0.01% to 3.30% (2016: 0.01% to 3.30%) per annum and therefore exposed to cash flow interest rate risk.

As at 31 March 2017, bank and cash balances and pledged bank deposits of the Group amounted to approximately HK$252,126,000 (2016: HK$219,987,000) were denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As at 31 March 2017, bank and cash balances and pledged bank deposits of the Group amounted to approximately HK$64,722,000 (2016: HK$12,131,000) were denominated in US$.

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29. TRADE AND BILLS PAYABLES

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2017 HK$'000	2016 HK$'000
Trade payables:		
0 to 30 days	**44,418**	41,067
31 days to 90 days	**84**	1,037
Over 90 days	**429**	554
	44,931	42,658
Bills payables	**113,196**	56,468
	158,127	99,126

Payment terms granted by suppliers are mainly on credit and on cash on delivery. The credit periods ranged from 15 days to 90 days after invoice date in which the relevant purchase occurred. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The carrying amounts of trade and bills payables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	**7,255**	6,012
RMB	**150,872**	93,114
	158,127	99,126

30. ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Receipt in advance	**12,572**	4,650
VAT and other tax payables	**30,886**	39,469
Accruals and other payables	**50,054**	37,688
	93,512	81,807

30. ACCRUALS AND OTHER PAYABLES (Continued)

The carrying amounts of accruals and other payables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	7,275	14,100
RMB	86,237	67,707
	93,512	81,807

31. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS

	2017 HK$'000	2016 HK$'000
Amounts due from non-controlling shareholders	29	29

The amounts due from non-controlling shareholders are unsecured, non-interest bearing and repayable on demand.

	2017 HK$'000	2016 HK$'000
Amounts due to non-controlling shareholders:		
The amounts due are repayable (based on scheduled repayment dates set out in loan agreements) as follows:		
On demand or within one year	28,883	27,886
In the second year	1,144	1,157
In the third to fifth year, inclusive	1,704	3,470
After five years	–	–
	31,731	32,513
Less: Amount due for settlement within 12 months (shown under current liabilities)	(28,883)	(27,886)
Amount due for settlement after 12 months	2,848	4,627

The amount of US$1,500,000 (equivalent to approximately HK$11,535,000) (2016: US$1,500,000 (equivalent to approximately HK$11,556,000)) due to a non-controlling shareholder of a subsidiary, Fully Chance Holdings Limited ("Fully Chance"), is unsecured and interest bearing at 5% per annum. At 31 March 2017, interest payable in respect of this advance of approximately US$75,000 (equivalent to approximately HK$554,000) (2016: US$99,000 (equivalent to approximately HK$761,000)) has been due. The principal is repayable in ten annual installments (commencing on 11 June 2011) plus interest on the outstanding balance.

The amount of approximately HK$20,196,000 (2016: HK$20,196,000) due to a non-controlling interest of a subsidiary, Turbo Best Holdings Limited, is unsecured, non-interest bearing and repayable on demand.

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32. SHORT-TERM BORROWINGS

	2017 HK$'000	2016 HK$'000
Trust receipts loans	19,406	6,181
Short-term bank loans (note (a))	337,384	312,066
Other loans (note (b))	7,885	8,401
	364,675	326,648

The carrying amounts of short-term borrowings are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	356,790	318,247
RMB	7,885	8,401
	364,675	326,648

The average interest rates at 31 March were as follows:

	2017	2016
Trust receipts loans	2.83%	2.52%
Short-term bank loans	2.36%	2.35%
Other loan	5.00%	5.00%

Notes:

(a) At 31 March 2017 and 2016, all short-term bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 March 2017 and 2016, the short-term bank borrowings are secured by the following:

(i) corporate guarantees given by certain subsidiaries and the Company; and

(ii) bank deposits and leasehold land and buildings situated in Hong Kong of the Group (note 37).

(b) A loan of RMB6,000,000 (equivalent to approximately HK$6,759,000 at 31 March 2017 and HK$7,201,000 at 31 March 2016) is unsecured, interest-bearing at fixed rate of 5% per annum.

At 31 March 2017, another loan of RMB1,000,000 (equivalent to approximately HK$1,126,000 at 31 March 2017 and HK$1,200,000 at 31 March 2016) is arranged at fixed rate of 5% per annum.

33. LONG-TERM BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans (note (a))	**127,964**	123,522
Bank loans		
The bank loans are repayable (based on scheduled repayment dates set out in loan agreements) as follows:		
On demand or within one year	**26,761**	20,048
More than one year, but not exceeding two years	**56,874**	32,920
More than two years, but not exceeding five years	**39,391**	66,400
More than five years	**4,938**	4,154
	127,964	123,522
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**(94,058)**	(94,803)
Amounts due within one year shown under current liabilities	**(26,761)**	(20,048)
Current portion	**(120,819)**	(114,851)
Non-current portion	**7,145**	8,671

Note:

(a) The bank loans are arranged at floating rates and expose the Group to cash flow interest rate risk. The average interest rate was 3.18% (2016: 3.08%) per annum at 31 March 2017.

At 31 March 2017 and 2016, the bank loans were secured by the following:

(i) corporate guarantees given by certain subsidiaries and the Company; and

(ii) bank deposits and leasehold land and buildings situated in Hong Kong of the Group (note 37).

All the long-term bank loans are denominated in HK$.

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34. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax asset 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 liabilities	**(3,818)**	(4,060)
	(3,818)	(4,060)

The followings are the major deferred tax (asset) liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	**Fair value adjustments arising from acquisition of subsidiaries** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 2015	11	4,713	(1,401)	3,323
Debited to profit or loss (note 11)	6	(446)	1,401	961
Exchange difference	–	(224)	–	(224)
At 31 March 2016 and 1 April 2016	17	4,043	–	4,060
Debited to profit or loss (note 11)	–	–	–	–
Exchange difference	–	(242)	–	(242)
At 31 March 2017	17	3,801	–	3,818

At the end of the reporting period, the Group had unused tax losses of approximately HK$153,024,000 (2016: HK$142,220,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$153,024,000 (2016: HK$142,220,000) due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK$91,847,000 (2016: HK$98,468,000) will expire from 2018 to 2022 (2016: 2017 to 2021). Other tax losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$97,199,000 (2016: approximately HK$135,527,000) as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

35. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	362,300	3,623

36. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted on 5 February 2009 for a period of 10 years. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors of the Company, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group. Under the Scheme, the board of directors of the Company (the "Board of Directors") may, at its absolute discretion and on such terms as it may think fit, grant an employee (full-time or part-time), a director, consultant and adviser of the Group, any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for ordinary shares of the Company (the "Shares") at the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer for the grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer for the grant of the option; and (iii) the nominal value of the Share on the date of offer for the grant of the option. The offer for a grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

The maximum number of Shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of all the issued shares upon completion of the share offer and the capitalisation issue during the placing and public offer as described in the prospectus of the Company dated 16 February 2009.

The Company may seek approval of the shareholders in a general meeting for refreshing the 10% limit under the Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company under the limit as "refreshed" shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as "refreshed". Options previously granted under the Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as "refreshed".

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36. SHARE-BASED PAYMENTS (Continued)

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

No options may be granted under the Scheme or any other share option scheme of the Company if it will result in such 30% being exceed.

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 at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

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, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

Share options granted cannot be transferable or assignable and should be personal to the grantee.

Share options may be exercised in accordance with the terms of the Scheme at any time during a period as the Board of Directors may determine which shall not exceed 10 years from the grant date subject to the provisions of early termination thereof. Share options will be lapsed if it remains unexercised within the expiry period. Share options granted to employee will be lapsed within a certain period of time if the grantee ceases to be an employee before the share options vested.

Details of the specific categories of options are as follows:

Grant date	6 January 2010	6 January 2010	6 January 2010	17 May 2010
Lot	1	2	3	4
Vesting period (note (a))	6 January 2010 to 5 January 2011	6 January 2010 to 5 January 2012	6 January 2010 to 5 January 2013	17 May 2010 to 12 November 2010
Exercise period	6 January 2011 to 5 January 2020	6 January 2012 to 5 January 2020	6 January 2013 to 5 January 2020	13 November 2010 to 16 May 2020
Exercise price (note (b))	HK$1.18	HK$1.18	HK$1.18	HK$1.05
Price of the Company's shares at the date of grant (note (c))	HK$1.18	HK$1.18	HK$1.18	HK$1.05

36. SHARE-BASED PAYMENTS (Continued)

Notes:

(a) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.

(c) The price of the Company's share disclosed as at the date of the grant of the share options is the higher of the average of closing prices listed on the Stock Exchange of Hong Kong for the five business days immediately preceding the date of the grant of the share options or the closing price at the date of grant.

No share-based payment expense in relation to share options granted by the Company was recognised for the years ended 31 March 2017 and 2016.

Details of the share options outstanding during the year are as follows:

	Number of share options granted to directors	Weighted average exercise price HK$	Number of share options granted to employees	Weighted average exercise price HK$	Total number of share options	Weighted average exercise price HK$
Outstanding at 1 April 2015	5,600,000	1.16	4,500,000	1.09	10,100,000	1.13
Lapsed during the year	(300,000)	1.18	–	–	(300,000)	1.18
Outstanding at 31 March 2016, 1 April 2016	5,300,000	1.16	4,500,000	1.09	9,800,000	1.13
Lapsed during the year	–	–	–	–	–	–
Outstanding at 31 March 2017	5,300,000	1.16	4,500,000	1.09	9,800,000	1.13
Exercisable at 31 March 2017	5,300,000	1.16	4,500,000	1.09	9,800,000	1.13

No share options have been lapsed, granted or exercised during years ended 31 March 2017 and no share option have been granted or exercised during year ended 31 March 2016. The options outstanding at 31 March 2017 have a weighted average remaining contractual life of 2.91 years (2016: 3.91 years) and the exercise price of HK$1.13 (2016: HK$1.13).

At 31 March 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 9,800,000 (2016: 9,800,000), representing 2.70% (2016: 2.70%) of the shares of the Company in issue at that date.

Options shall be forfeited on the expiry of three months after the date of cessation of employment, but before the options vest. All the options forfeited before expiry of the options will be treated as cancelled option under the share option scheme.

36. SHARE-BASED PAYMENTS (Continued)

The estimated fair value of the options granted during the years ended 31 March 2011 and 2010 calculated using the Black-Scholes option pricing model was approximately HK$3,315,000 and HK$6,285,000 respectively. The inputs into the model were as follows:

Grant date	6 January 2010	6 January 2010	6 January 2010	17 May 2010
Lot	1	2	3	4
Option value	HK$0.3918	HK$0.3959	HK$0.3986	HK$0.3207
Total fair value	HK$1,563,000	HK$873,000	HK$879,000	HK$6,285,000
Share price at date of grant	HK$1.18	HK$1.18	HK$1.18	HK$1.05
Exercise price	HK$1.18	HK$1.18	HK$1.18	HK$1.05
Expected volatility	50.45%	49.61%	49.02%	52.08%
Risk-free interest rate	2.01%	2.10%	2.20%	1.75%
Expected life of options	5.5 years	6 years	6.5 years	5.24 years
Dividend yield	3.90%	3.90%	3.90%	4.38%

The expected volatility was determined by calculating the historical volatility of the listed shares' price of similar companies in the same industry over a period that is equal to the expected life of the options before the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

37. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks to secure the general banking facilities granted to the Group:

	2017 HK$'000	2016 HK$'000
Prepaid lease payments (note 16)	**12,925**	14,115
Property, plant and equipment (note 17)	**14,460**	18,126
Investment properties (note 18)	**208,700**	208,180
Bank deposits (note 28)	**145,634**	135,640
	381,719	376,061

38. RETIREMENT BENEFITS SCHEMES

Defined contribution plans

The Group operates a 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 HK$1,500 (2016: HK$1,500) per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The subsidiaries of the Group incorporated in Macau make monthly contributions to the Central Provident Fund System managed by the relevant authority of the local government, which undertake the retirement obligations of the Group's employees in Macau. The Group has no obligation for payment of retirement benefits beyond the monthly contributions. The contributions payable are recognised as an expense to profit or loss as and when incurred.

The total contributions incurred in this connection for the year ended 31 March 2017 were approximately HK$7,000,000 (2016: HK$7,920,000). No forfeited contributions are available to reduce the contribution payable by the Group in the future years.

39. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 March 2017, deposits paid for acquisition of property, plant and equipment of approximately HK$21,567,000 (2016: HK$22,352,000) was transferred to property, plant and equipment.

40. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2017 **HK$'000**	2016 HK$'000
Capital expenditure contracted but not provided for:		
Purchase of property, plant and equipment	**2,670**	15,283

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41. LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year was approximately HK$4,387,000 (2016: HK$4,628,000). The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to eight years. The terms of the leases generally require the tenants to pay security deposits. The investment properties are expected to generate rental yield of 2.09% (2016: 2.22%) on an ongoing basis.

At the end of the reporting period, the Group had future minimum lease receivables under non-cancellable operating leases as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**3,833**	2,874
In the second to fifth year, inclusive	**3,516**	4,842
After the fifth year	**–**	36
	7,349	7,752

The Group as lessee

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**10,899**	15,287
In the second to fifth year, inclusive	**22,786**	45,129
After the fifth year	**40,924**	13,165
	74,609	73,581

Operating lease payments represent rentals payable by the Group for certain land and buildings. Leases are negotiated for terms ranged from 1 to 29 years and rentals are fixed over the lease terms and do not include contingent rentals.

42. TRANSACTION WITH NON-CONTROLLING INTERESTS

The Company acquired an additional 49% equity interest in a Cheer Fame Holdings Limited ("Cheer Fame") at a consideration of HK$1. Cheer Fame became a wholly-owned subsidiary of the Company upon completion of this acquisition. The carrying amount of the non-controlling interest in Cheer Fame on the date of acquisition was approximately HK$20,000. The excess of approximately HK$20,000, represented the difference between the fair value of the consideration and the carrying amount of the non-controlling interest acquired on the date of acquisition, was recognised within equity. The effect of changes in the ownership interest in Cheer Fame on the equity attributable to the shareholders of the Company during the year is summarised as follows:

	2017 HK$'000
Consideration paid to non-controlling interests and transaction cost	–
Carrying amount of non-controlling interests acquired as at acquisition date	20
Excess of consideration paid and transaction cost recognised within equity	20

43. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the reporting period:

	2017 **HK$'000**	2016 HK$'000
Rental in respect of land and buildings paid to a related company owned by Mr. CHONG Kam Chau who are also the directors of the Company (note (i))	**655**	600

Notes:

(i) Tenancy agreement with a related company

In 2015, the Group entered into tenancy agreements with a company owned by Mr. CHONG Kam Chau and Mr. CHONG Wa Pan, for the lease of office premises for a term of one year commencing from 1 April 2015 until 31 March 2016 at prevailing market rates. Transactions were conducted with terms mutually agreed with the contracting parties pursuant to signed agreements.

In 2016, the Group entered into tenancy agreements with a company owned by Mr. CHONG Kam Chau and Mr. CHONG Wa Pan, for the lease of office premises for a term of one year commencing from 1 April 2016 until 31 March 2017 at prevailing market rates. Transactions were conducted with terms mutually agreed with the contracting parties pursuant to signed agreements.

(b) The emoluments of the directors of the Company (representing key management personnel) during the year are set out in note 13(a).

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44. CONTINGENT LIABILITIES

The Inland Revenue Department of Hong Kong (the "IRD") issued estimated assessment and additional assessment for the year of 2009/10 and 2010/11 to six subsidiaries of the Group amounting to HK$7,260,000. In the opinion of the Directors, there is no specific basis for adjusting the subsidiaries' tax position for the years of assessment 2009/10 and 2010/2011 specified in the estimated assessment and additional assessment. Therefore, the Directors are of the view that no tax provision for Hong Kong Profits Tax is required at this stage. The subsidiaries will discuss with the IRD and will continue to monitor the progress and to defend the subsidiaries' tax position vigorously. Therefore, no tax provision was provided thereon at 31 March 2017 (31 March 2016: Nil). Please also refer to Note 11 for details.

45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Company 2017	2016	Principal activities
Directly held					
Jumbo Match Limited	BVI	Ordinary USD1	100%	100%	Investment holding/Hong Kong
Indirectly held					
Chance Bright Limited – Macao Commercial Offshore	Macau	Ordinary MOP100,000	100%	100%	Trading of raw paper and production supplies/Macau
Come Sure Development Limited	Hong Kong	Ordinary HK$60,000,000	100%	100%	Investment and property holding/Hong Kong
Come Sure Group Limited – Macao Commercial Offshore	Macau	Ordinary MOP100,000	100%	100%	Trading of corrugated paperboards and paper-based packaging products/ Macau
Come Sure Holdings Limited	BVI	Ordinary US$13,500,000	100%	100%	Investment holding and trading of corrugated paperboards and paper-based packing products/Hong Kong
錦勝包裝(深圳)有限公司 Come Sure Packing Products (Shenzhen) Company Limited	PRC wholly foreign owned enterprise	Registered and paid up capital HK$248,980,000	100%	100%	Trading and manufacturing of corrugated paperboards and paper-based packaging products/PRC
* 惠州錦勝包裝有限公司 Huizhou Come Sure Packing Company Limited	PRC wholly foreign owned enterprise	Registered and paid up capital HK$47,000,000	100%	100%	Sub-contracting process and investment holding/PRC
* 惠州錦勝紙業有限公司 Huizhou Come Sure Paper Industrial Company Limited	PRC wholly foreign owned enterprise	Registered and paid up capital HK$20,000,000	100%	100%	Trading and manufacturing of corrugated paperboards and paper-based packaging products/PRC

45. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Company 2017	2016	Principal activities
Indirectly held (Continued)					
Joy Honest Holdings Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Property investment holding/Hong Kong
Keen Rise International Development Limited	Hong Kong	Ordinary HK$100	**100%**	100%	Trading of corrugated paper-based packaging products/Hong Kong
Luck Sea Investment	Hong Kong	Ordinary HK$1,000,000	**100%**	100%	Provision of management service/Hong Kong
*華銘彩印(深圳)有限公司 Wah Ming Colour Printing (Shenzhen) Company Limited	PRC wholly foreign owned enterprise	Registered and paid up capital HK$51,000,000	**100%**	100%	Trading and manufacturing of offset printed corrugated paper-based packaging products/PRC
Wah Ming International Limited	Hong Kong	Ordinary HK$2,000,000	**100%**	100%	Trading and manufacturing of offset printed corrugated paper-based packaging products/PRC
*錦勝包裝(泉州)有限公司 Come Sure Packing Products (Quanzhou) Company Limited	PRC wholly foreign owned enterprise	Registered and paid up capital HK$50,000,000	**60%**	60%	Investment holding/PRC
*江西錦勝包裝有限公司 Jiangxi Come Sure Packing Products Company Limited	PRC wholly foreign owned enterprise	Registered capital HK$80,000,000 Paid up capital HK$22,000,000	**100%**	100%	Investment holding/PRC
協升紙業(江西)有限公司 Rising Sun Paper (Jiangxi) Company Limited	PRC Sino–foreign joint venture enterprise	Registered and paid up capital HK$31,200,000	**51%**	51%	Trading and manufacturing of corrugated paperboards and paper–based packaging products/PRC
Wise Luck International (HK) Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Property investment holding/Hong Kong
Smart Profit Capital Investment Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Property investment holding/Hong Kong
*華銘紙業(深圳)有限公司 Wah Ming Paper Industrial (Shenzhen) Company Limited	PRC wholly foreign owned enterprise	Registered and paid up capital HK$30,000,000	**100%**	100%	Trading and manufacturing of offset printed corrugated paper-based packaging products/PRC
Mass Linker Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Property investment holding/ Hong Kong
Sky Achiever Holdings Limited	Hong Kong	Ordinary HK$10,000	**100%**	100%	Trading of paper-based packaging products and molded pulp products/ Hong Kong

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For the year ended 31 March 2017

45. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid up share capital/ registered capital	Proportion of ownership interest and voting power held by the Company 2017	2016	Principal activities
Indirectly held (Continued)					
* 中洲紙業(深圳)有限公司 Sky Achiever Paper Industrial (Shenzhen) Company Limited	PRC wholly foreign owned enterprise	Registered and paid up capital HK$12,500,000	**100%**	100%	Trading and manufacturing of paper-based packaging products and molded pulp products/PRC
Think Speed Group Limited	BVI	USD1,000	**51%**	51%	Investment holding/PRC
Magic Thinksky Limited	BVI	USD1	**51%**	51%	Mobile software development/PRC
Soho Union International Limited	BVI	USD50,000	**51%**	51%	Online game development/PRC
Unlimited Space Limited	Hong Kong	Ordinary HK$100	**51%**	51%	Online game development/Hong Kong
* 廣州市碧福蓋斯信息技術有限公司 Guangzhou Playful Games Informational Technology Company Limited	PRC wholly foreign owned enterprise	Registered and paid up capital USD490,000	**51%**	51%	Provision of management service/PRC
* 深圳前海錦勝包裝創意文化產業有限公司 Shenzhen Qianhai Come Sure Packing Creative and Cultural Industries Company Limited	PRC domestic company	Registered capital RMB10,000,000 Paid up capital RMB9,000,000	**100%**	100%	Investment holding/PRC

* The English names of these companies represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

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

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

Principal activities	Principal place of business	Number of subsidiaries 2017	2016
Investment holdings	Hong Kong	**11**	11
Inactive	Hong Kong	**4**	4
Investment holdings	BVI	**6**	6
Provision of corporate email services	PRC	**1**	1
Inactive	PRC	**2**	2

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current asset		
Investments in subsidiaries (note (a))	**368,754**	338,215
Current assets		
Amounts due from subsidiaries (note (b))	**207,098**	207,151
Cash and bank balances	**346**	347
	207,444	207,498
Current liabilities		
Accruals	**50**	49
Amount due to subsidiaries (note (b))	**63,144**	62,247
Financial guarantee contracts (note (c))	**30,540**	28,394
	93,734	90,690
Net current assets	**113,710**	116,808
NET ASSETS	**482,464**	455,023
Capital and reserves		
Share capital	**3,623**	3,623
Reserves (note (d))	**478,841**	451,400
TOTAL EQUITY	**482,464**	455,023

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For the year ended 31 March 2017

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Investments in subsidiaries

	2017 HK$'000	2016 HK$'000
Unlisted investment, at cost	**141,631**	141,631
Deemed capital contribution to subsidiaries	**227,123**	196,584
	368,754	338,215

(b) Amounts due from/to subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

(c) Financial guarantee contracts

At 31 March 2017, the Company has issued guarantees of approximately HK$862,150,000 (2016: HK$857,150,000) and unlimited corporate guarantees to banks in respect of the banking facilities granted to fourteen (2016: fourteen) subsidiaries of the Group.

The directors of the Company do not consider it is probable that a claim will be made against the Company under any of the above guarantees and the maximum liability of the Company at the end of the reporting period in respect of the above guarantees is the amount of bank loans drawn by its subsidiaries under the guarantees at that date of approximately HK$509,295,000 (2016: HK$430,895,000).

The fair value of financial guarantee is determined by reference to valuation report of an independent professional valuer. At 31 March 2017, the fair value of the financial guarantee contracts was approximately HK$30,540,000.

(d) Reserves

	Share premium HK$'000	**Special reserve** HK$'000	**Share-based payment reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2015	193,212	141,681	3,698	96,353	434,944
Profit for the year	–	–	–	36,383	36,383
Dividend recognised as distribution (note 14)	–	–	–	(19,927)	(19,927)
At 31 March 2016 and 1 April 2016	193,212	141,681	3,698	112,809	451,400
Profit for the year	–	–	–	27,441	27,441
At 31 March 2017	193,212	141,681	3,698	140,250	478,841