



China Environmental Energy Investment Limited

中國環保能源投資有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 986)

2016 Annual Report



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This Annual Report, in both English and Chinese versions, is available on the Company's website at www.986.com.hk. Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "Corporate Communications").

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this Annual Report since both languages are bound together into one booklet.

Corporate Information

Executive Directors

Ms. Chen Tong (*Chairman
and Chief Executive Officer*)
Mr. Xiang Liang

Independent Non-executive Directors

Ms. Zhang Ruisi
Mr. Tse Kwong Chan
Ms. Zhou Jue

Company Secretary

Ms. Cheng Suk Kuen

Audit Committee

Ms. Zhang Ruisi (*Chairman*)
Mr. Tse Kwong Chan
Ms. Zhou Jue

Remuneration Committee

Mr. Tse Kwong Chan (*Chairman*)
Ms. Zhou Jue
Mr. Xiang Liang

Nomination Committee

Ms. Zhang Ruisi (*Chairman*)
Mr. Tse Kwong Chan
Mr. Xiang Liang

Auditor

Cheng & Cheng Limited
10/F, Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

Legal Advisor

Li, Wong, Lam & W.I. Cheung
22/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Room 910, 9/F, Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

Principal Bankers

China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Wing Lung Bank Limited

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

<http://www.986.com.hk>

Stock Code

986

Chairman's Statement and Management Discussion & Analysis

I would like to report to the shareholders the annual results of China Environmental Energy Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016.

FINANCIAL REVIEW

For the year ended 31 March 2016, the Group's revenue from continuing operations was approximately HK\$19.09 million (2015: approximately HK\$11.25 million), representing an increase of approximately 69.69% as compared with last year. The revenue included approximately HK\$10.49 million from online products sales, provision of marketing, web design and maintenance services (the "Internet Services") business (2015: approximately HK\$11.25 million), approximately HK\$8.17 million from trading of gold and diamond business (2015: Nil) and approximately HK\$0.43 million from provision of loans as money lending (the "Money Lending") business (2015: Nil).

Gross profit from continuing operations was approximately HK\$7.71 million (2015: approximately HK\$5.53 million), representing an increase of approximately 39.42% as compared with last year. Gross profit margin was approximately 40.39% (2015: approximately 49.16%). The increase in gross profit was attributable to the contribution from the Internet Services business and the new business of the Group.

Operating loss from continuing operations and discontinued operations after tax of the Group was approximately HK\$103.39 million (2015: approximately HK\$151.17 million), representing a decrease by approximately 31.61% as compared with last year. The decrease in operating loss was mainly attributable to fair value gains and realized gains on disposal of investment in securities of approximately HK\$33.72 million (2015: realized losses of approximately HK\$7.43 million). The operating loss included the impairment loss on goodwill arising from the acquisition of the Internet Services business of approximately HK\$3.70 million (2015: Nil) and an impairment loss on available-for-sale investment in respect of the investment in Pure Power Holdings Limited ("Pure Power") of approximately HK\$74.70 million (2015: approximately HK\$11.21 million).

Selling, distribution and administrative expenses incurred in continuing operations was approximately HK\$36.66 million (2015: approximately HK\$28.15 million), representing an increase of approximately 30.28% as compared with last year. The finance costs from continuing operations of the Group amounted to approximately HK\$8.94 million (2015: approximately HK\$47.19 million) which were mainly incurred on the unconvertible bonds and the promissory notes issued by the Company. The decrease in finance costs was due to reduction in debt level during the year under review.

BUSINESS REVIEW

For the year ended 31 March 2016, the Group was principally engaged in the businesses of waste paper, scrap metal and consumable wastes recycling (the "Wastes Recycling"), trading of petrochemical products, Internet Services, trading of gold and diamond and Money Lending.

Internet services business

During the year under review, the Company disposed the entire share capital of Asian Champion Limited (the "Disposal Company"), which in turn held 90% equity interest in HKOMall Limited (the "Disposal Subsidiary"). The Disposal Subsidiary is principally engaged in the Internet Services business in Hong Kong.

The Group had relied on the management of the Disposal Subsidiary to operate the business of the Disposal Subsidiary. However, during the process of merging the operation of the Disposal Subsidiary into the Group, there were disagreements between the Company and the management of the Disposal Subsidiary, on the business model of the Disposal Subsidiary for the shift of focus from online shopping platform to provision of website consultancy services, and non-cooperation of the management of the Disposal Subsidiary in carrying out the Group's policies (the "Disputes").

During the said process, the Company and the management of the Disposal Subsidiary had held several rounds of negotiation to try to resolve the Disputes. However, it was far less likely to succeed as the shareholder holding the 10% minority interest of the Disposal Subsidiary (the "Purchaser") and the management of the Disposal Subsidiary insisted on their own perspective and standpoints. Consequently, both parties failed to reach any consensus on, including but not limited to, the assignment of a staff in charge of operation and management of the Disposal Subsidiary or the buying out of the 10% minority interest in the Disposal Subsidiary from the Purchaser. Despite the Disposal Subsidiary was profit-making for the year ended 31 December 2014, having taken into account (i) the Disputes and the inability of the Company and the management of the Disposal Subsidiary to resolve the Disputes despite the Company's efforts; and (ii) the potential operational risk imposed on the Company resulting from the non-cooperation of the management of the Disposal Subsidiary should the Disposal Subsidiary remains as a subsidiary of the Company. The directors of the Company (the "Directors") considered that the disposal represented a good opportunity for the Group to exit its investment from a dispute situation at the same price. As such, the Company resolved to dispose the Disposal Company and the Disposal Subsidiary.

During the year under review, the Company was still carrying out the Internet Services business in The People's Republic of China (the "PRC") through its subsidiary, namely 麗哲貿易(上海)有限公司 (Ritz Trading (Shanghai) Company Limited*). The revenue and operating profit before tax generated from the Internet Services was approximately HK\$3.66 million and HK\$1.79 million respectively. The business picked up a steady and upward growth. Such increase was mainly driven by the rapid growth in the online shopping market in the PRC in recent years due to, in particular, the large number of internet users, along with a dynamic mobile telecommunications sector. It therefore offers huge potential for the Internet Services.

In view of the growth of online retailing sector in the PRC aligned with the global shift towards online channels and away from physical stores, the Group will continue investing in the enhancement of the Internet Services business to increase the revenue stream of the Group.

Money lending business

The Group has commenced its Money Lending business in Hong Kong through a wholly-owned subsidiary, Great Luck Finance Limited ("Great Luck"). Great Luck is a company holding a money lender's license under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). For the year ended 31 March 2016, Great Luck had successfully made loans to certain clients amounting to approximately HK\$44 million in total at the average interest rate of 20% per annum. In view of the increasing demand in money lending in Hong Kong, the Group will proactively expand such business and the Directors believe that it can provide steady interest income for the Group.

* For identification purposes only

Chairman's Statement and Management Discussion & Analysis

Trading of gold and diamond business

On 18 September 2015, the Group completed the acquisition of Elite Honest Inc. ("Elite Honest") which through its wholly-owned subsidiary, H & S Creation Limited ("H&S"), is principally engaged in the business of trading of gold and diamond. The vendor of Elite Honest has irrevocably and unconditionally warranted and guaranteed to the Company that the audited net profit after tax of H&S for the financial years ended 31 December 2015 and 2016 shall be at least HK\$1.40 million and HK\$2.80 million respectively. The revenue and the operating profit before tax generated from H&S was approximately HK\$8.17 million and HK\$1.14 million respectively for the year ended 31 March 2016. As such, this business segment will continue to have positive contribution to the Group's earnings in the coming future.

Wastes recycling business and trading of petrochemical products business

During the year under review, the demand and price of recycling products from waste paper, scrap metal and consumable wastes as well as the petrochemical products have continued to remain low without any sign of improvement. The gross profit of trading of petrochemical products business had been minimal owing to high operating costs and costs of raw materials, labor and manufacturing overheads. As a result, losses from such business segments recorded approximately HK\$21.67 million for the financial year ended 31 March 2016.

In view of the unsatisfactory performance of these business segments, the Group had considered the possibility of selling the Wastes Recycling business if the disposal would help the Group in realising its investment and would generate cash inflow for the Group. As such, the Group entered into a sale and purchase agreement with an independent third party on 19 May 2016 to dispose the Company's equity interest in Ideal Market Holdings Limited ("Ideal Market"), which together with its wholly-owned subsidiaries are principally engaged in Wastes Recycling business and trading of petrochemical products business, at a consideration of HK\$150 million (the "Possible Disposal"). Prior to the completion of the Possible Disposal, these business segments had been classified as discontinued operations for the year ended 31 March 2016. The revenue of discontinued operations were approximately HK\$16.97 million (2015: approximately HK\$29.77 million) and approximately HK\$8.57 million (2015: approximately HK\$11.69 million) from Wastes Recycling business and trading of petrochemical products business respectively.

As the Possible Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is therefore subject to the shareholders' approval at the general meeting of the Company which has been scheduled on 12 July 2016. Upon completion of the Possible Disposal, the Company will cease to hold any equity interest in Ideal Market and the results of Ideal Market and its subsidiaries will no longer be consolidated into the consolidated financial statements of the Group.

Investment in exploration and exploitation of natural resources

In 2014, the Company acquired 10% equity interest of Pure Power, which in turn owned 100% equity interest in a company (the "Oil Company") which is principally engaged in the exploration and exploitation of natural resources in Nevada, the United States of America. In January 2016, the Company had further acquired approximately 39.41% equity interest in Pure Power and had then been effectively interested in approximately 49.41% of the issued share capital of the Oil Company through Pure Power.

Chairman's Statement and Management Discussion & Analysis

The principal assets of the Oil Company are the oil & gas rights under the federal oil and gas leases which cover an aggregate area of approximately 4,240.88 acres located in Nye County, Nevada, the United States of America. According to a geological and drilling report produced by Ehni Enterprises Inc., a company specialised in geological consulting, in September 2015 on one of the wells owned and operated by the Oil Company, the results from the drilling showed presence of oil/condensate and gas anomalies and significant intervals of sandstone units bearing oil/hydrocarbon which were observed down the well. Despite the drop in oil price in recent years, in view of the limited oil resources and the constant demand in oil in the long term, the Company believes that oil price will rebound once the global economy recovers. The Company will monitor the oil price closely and consider to make further investment in drilling and oil production when the upward trend of oil price is confirmed.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 March 2016, the Company made the following acquisitions and disposals:

Acquisitions

1. On 4 September 2015, the Company and Mr. Wong Him Shun Philip, as a vendor, entered into a sale and purchase agreement, pursuant to which the vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the entire equity interest in Elite Honest, at a consideration of HK\$30 million by way of issuing promissory note by the Company. Elite Honest was incorporated under the laws of the British Virgin Islands with limited liability and it owns 100% equity interest in H&S. H&S is principally engaged in the business of trading of gold and diamond. The acquisition was completed on 18 September 2015.
2. On 16 October 2015, a wholly-owned subsidiary of the Company acquired the entire issued share capital of Great Luck at a consideration of HK\$1 million. Great Luck is incorporated in Hong Kong with limited liability and is a company holding a money lender's license under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).
3. On 16 November 2015, the Company had, as guarantor, entered into a sale and purchase agreement with Gold Castle Group Limited (a wholly-owned subsidiary of the Company), as purchaser, and STI Financial Group Limited, as vendor, in relation to the acquisition of the entire issued share capital of STI Securities & Wealth Management Limited ("STI") which is a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong). The completion of such acquisition is subject to, among others, the approval of the Securities and Futures Commission ("SFC") for Gold Castle Group Limited (and its beneficial owners) to become substantial shareholder(s) of STI under the SFO. The Company had obtained such approval from the SFC on 11 April 2016 and the conditions precedent to such acquisition had been fulfilled. Pursuant to the sale and purchase agreement, Gold Castle Group Limited has applied to the SFC to nominate certain number of persons to act as new responsible officers of STI and the completion of such acquisition is subject to the approval from the SFC for change of existing responsible officers of STI.

Chairman's Statement and Management Discussion & Analysis

4. On 20 November 2015, the Company as the purchaser, entered into a sale and purchase agreement with certain shareholders of Pure Power as the vendors, pursuant to which the Company had conditionally agreed to acquire and the vendors had conditionally agreed to dispose of 3,350 shares of Pure Power, representing approximately 39.41% of the issued share capital of Pure Power, which in turn owned 100% equity interest in the Oil Company, at a consideration of HK\$163 million, which was settled as to HK\$100 million by way of delivery of the promissory notes issued by the Company due in 12 months from the issue date and carrying interest of 8% per annum and as to HK\$63 million by cash. The acquisition was completed on 29 January 2016. The Company is indirectly interested in aggregate approximately 49.41% of the issued share capital of the Oil Company through Pure Power, and Pure Power became an associate of the Company.

Disposals

1. On 4 June 2014, the Company, as vendor, entered into a sale and purchase agreement (the "SPA") with Lucky East International Limited, as purchaser, pursuant to which the purchaser had agreed to acquire and the Company had agreed to sell the 9.9% of the entire issued share capital of Swift Profit International Limited ("Swift Profit"), at a consideration of HK\$66 million. On 29 January 2015 and 27 March 2015, the Company entered into two supplemental agreements with the purchaser to amend certain terms of the SPA including the postponement of completion date to 30 September 2015 and vary of payment terms. Upon completion of the disposal, Swift Profit ceased to be available-for-sale investment of the Group. The Group completed the disposal on 30 September 2015.
2. On 27 November 2015, the Group as vendor entered into a sale and purchase agreement with Ms. Chow Yan Ping as purchaser, pursuant to which the purchaser had agreed to acquire and the Company had agreed to sell the entire issued share capital of Disposal Company at a consideration of HK\$58 million. Upon completion of the disposal, the Company ceased to hold any equity interest of the Disposal Company and the results of Disposal Company and its subsidiary were no longer consolidated into the consolidated financial statements of the Group. The disposal was completed on 4 February 2016.

OUTLOOK

The Directors will continue to enhance the Group's businesses through review of its existing business portfolio from time to time and also seek suitable investment opportunities in the long run so as to broaden the source of income of the Group and diversify the Group's business portfolio. For its existing businesses, the Group will allocate more resources to develop those businesses with high growth potential and will consider to divest those businesses with losses or facing intensive competition. For any potential acquisition, the Group will evaluate the management of the target company to be acquired as well as the intrinsic value of the acquisition, with an overall goal and strategy to acquire businesses with high intrinsic value at attractive price.

The Company believes that the acquisition of STI is the prime opportunity for the Company to enter the financial services industry. Following the completion of such acquisition, the Company intends to strengthen the development of the financial services business, including the provision of securities trading, advising on securities, asset management and margin financing businesses which will help diversifying the businesses, building a stronger business foundation and enlarging the source of income of the Group, thereby creating value for the shareholders of the Company.

SHARE CAPITAL AND CAPITAL STRUCTURE

On 20 April 2015, the Company entered into a placing agreement with a placing agent, Southwest Securities (HK) Brokerage Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 520,000,000 placing shares of the Company to not less than six placees at the placing price of HK\$0.245 per placing share under the then general mandate granted to the Directors. The placing price of HK\$0.245 per placing share represented a discount of approximately 18.33% to the closing price of HK\$0.300 per share of the Company as quoted on the Stock Exchange on 20 April 2015, being the date of the placing agreement. The placing was completed on 8 May 2015 and the Company issued 520,000,000 new shares to not less than six placees. The net proceeds from the placing was approximately HK\$125.69 million, among which (i) HK\$113.12 million was used for acquisition of listed securities in Hong Kong; and (ii) HK\$12.57 million was used for the operating expenses of the Group.

On 19 August 2015, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 620,000,000 placing shares of the Company to not less than six placees at the placing price of HK\$0.134 per placing share under the then general mandate granted to the Directors. The placing price of HK\$0.134 per placing share represented a discount of approximately 8.84% to the closing price of HK\$0.147 per share of the Company as quoted on the Stock Exchange on 19 August 2015, being the date of the placing agreement. The placing was completed on 28 August 2015 and the Company issued 620,000,000 new shares to not less than six placees. The net proceeds from the placing was approximately HK\$82.19 million, among which (i) HK\$73 million was used for acquisition of listed securities in Hong Kong; (ii) HK\$3.80 million was used for the operating expenses of the Group; and (iii) the remaining balance was deposited in bank.

On 18 September 2015, the Company issued a promissory note in the principal amount of HK\$30 million at the interest rate of 8% per annum to Mr. Wong Him Shun Philip as the consideration for the acquisition of entire issued share capital of Elite Honest.

On 29 January 2016, the Company issued a promissory note in the principal amount of HK\$100 million at the interest rate of 8% per annum to a vendor as the partial consideration for the acquisition of approximately 39.41% of the issued share capital of Pure Power.

For the year ended 31 March 2016, the Company repaid promissory notes and convertible note in the principal amounts of HK\$191.95 million and HK\$1.8 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group's net current assets were approximately HK\$7.08 million (2015: approximately HK\$34.23 million), including cash and cash equivalents of approximately HK\$22.77 million (2015: approximately HK\$250.90 million). Total bank loans, other borrowings, convertible and unconvertible bonds and promissory notes payable amounted to approximately HK\$153.10 million as at 31 March 2016 (2015: approximately HK\$247.89 million). During the year, an aggregate principal amount of HK\$130 million of the promissory notes had been issued for the acquisitions. The Group's gearing ratio, which was net debt divided by total shareholders' equity plus net debt, as at 31 March 2016 was 0.14 (2015: 0.06).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2016 and 31 March 2015.

LITIGATION

The Company announced that a writ of summons (the "Writ") was issued in the Court of First Instance of the High Court of Hong Kong by First Federal Capital Limited ("FDCL") against the Company and it was served on the Company by FDCL's legal adviser on 8 July 2013. In the statement of claim under the Writ, FDCL claims as the holder in due course or, alternatively, the holder for value of a promissory note with principal amount of HK\$5 million issued by the Company (the "Promissory Note") and claims for the principal amount of HK\$5 million under the Promissory Note, together with interest and costs.

The Promissory Note was issued by the Company to All Prosper Group Limited (the "Note Holder") and was due on 31 January 2013. The Company had been in negotiation with the Note Holder for extension of the maturity date for the Promissory Note but as there had been dispute between the Note Holder with FDCL on the ownership of the Promissory Note, the negotiation for extension is pending. FDCL had through its legal adviser requested the Company to register a transfer of the Promissory Note from the Note Holder to FDCL but had not delivered all necessary documents as requested by the Company and as required under the terms and conditions of the Promissory Note. The Company considered that the registration of the transfer of the Promissory Note shall only be made upon strict compliance with the terms and conditions of the Promissory Note for the interest of the Company. The Company had made enquiry to the Note Holder on the transfer of the Promissory Note to FDCL and was informed that the Note Holder had all along been the registered holder of the Promissory Note and had not effected any transfer of the Promissory Note. The Company had instructed legal adviser to contest the claim and to handle all other legal issues arising with FDCL in connection with the dispute.

The High Court had approved the consent summons (the "Consent Summons") for settlement on 19 August 2015. Pursuant to the Consent Summons:

1. the Company had to make the payment of approximately HK\$5.72 million (with its breakdown of HK\$5 million being the principal sum stated in the Promissory Note together with the outstanding interest at a rate of 5.25% per annum calculable from 7 November 2012 to 6 August 2015 at approximately HK\$0.72 million in accordance with the terms and conditions of the Promissory Note) (the "Sum") into the Court within 28 days from 20 August 2015;
2. all FDCL's claims and allegations in this action against the Company shall be withdrawn and discontinued;
3. there be no order as to the costs in respect of the dispute(s) between FDCL and the Company in this action; and
4. there be no order as to the costs in respect of the Consent Summons application.

The Company had made the payment of the Sum to the Court on 31 August 2015.

PLEDGE OF ASSETS

As at 31 March 2016, the Group's deposits amounted to HK\$2.4 million were placed with a bank in the PRC to secure bills issued and payable by the Group which were disclosed in assets classified as held for sale when an operation was classified as discontinued. (2015: HK\$5.88 million disclosed in restricted bank deposits).

SIGNIFICANT INVESTMENTS

During the year, the Group had the following significant investments in equity securities listed on the Stock Exchange which were classified as available-for-sale investments:

Name (Stock Code)	Principal Business	Unrealized	Market value	% of	% of
		gain/(loss) on fair change for the year ended 31 March 2016 HK\$ millions	as at 31 March 2016 HK\$ millions	shareholding held as at 31 March 2016	net assets as at 31 March 2016
China National Culture Group Limited (745)	Provision of advertising media services, e-commerce, film production and distribution	(10.89)	19.56	3.32%	1.78%
RCG Holdings Limited (802)	Trading of biometric and RFID products, solutions services, internet and mobile applications services and commodities trading	12.60	35.70	4.59%	3.25%
China Jicheng Holdings Limited (1027)	Manufacture and sale of POE umbrellas, nylon umbrellas and umbrellas parts	300.37	332.13	1.86%	30.25%
China Southern Airlines Company Limited (1055)	Provision of services of domestic, international and regional scheduled and unscheduled air transportation of passenger, cargo, mail and baggage, general aviation and aircraft maintenance	(0.51)	2.20	0.02%	0.20%
Suncorp Technologies Limited (1063)	Sale and marketing of residential telephone products under its license arrangement with Motorola brand	(4.74)	24.22	1.11%	2.21%
Lerado Financial Group Company Limited (1225)	Provision of financial services, manufacturing and distributing children plastic toys and medical care products	(0.42)	8.07	1.53%	0.74%
Capital VC Limited (2324)	Investment in listed and unlisted companies	(5.12)	5.89	2.27%	0.54%
WLS Holdings Limited (8021)	Provision of scaffolding and fitting out services, management contracting services, other services for construction and buildings work and money lending	42.09	116.68	2.81%	10.63%
GreaterChina Professional Services Limited (8193)	Provision of asset advisory services and asset appraisal, corporate services and consultancy, media advertising and financing services	0.67	38.43	1.24%	3.50%
L & A International Holdings Limited (8195)	Manufacture, sale and retailing of garment products	109.31	222.03	1.73%	20.22%
Total		443.36	804.91		

During the year under review, the Group's securities investment business recorded a realized gain of approximately HK\$33.72 million (2015: realized loss of approximately HK\$7.43 million) and a net unrealized gain of approximately HK\$443.36 million (2015: approximately HK\$80.59 million). As at 31 March 2016, the market value of the listed securities being held by the Group is approximately HK\$804.91 million in value (2015: approximately HK\$127.59 million).

Chairman's Statement and Management Discussion & Analysis

The Company will adopt a diversified investment strategy to generate long-term returns for the shareholders of the Company while avoiding concentration risk and maintaining reasonable spread of the Group's investments by investing in both short and long term Hong Kong listed securities, including initial public offering securities. The targets of the investment portfolio cover a wide range of business sectors, including but not limited to, companies engaged in manufacturing, construction and buildings work, advertising, financial services, money lending, aviation, investment and retailing sectors.

CAPITAL COMMITMENTS

Except for the acquisition of the issued share capital of STI as detailed in the section "Material Acquisitions and Disposals" above and contracted, the Group had no material capital commitments authorised but not provided for as at 31 March 2016 (2015: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and Mainland China, with revenues and expenditures denominated in Renminbi. During the year, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate times.

DIVIDEND

No dividend for the year ended 31 March 2016 (2015: Nil) is recommended by the board of Directors (the "Board").

EMPLOYMENT AND REMUNERATION POLICY

During the year under review, the Group continued to strengthen its staff quality through staff development and training programmes. The Group had approximately 40 employees as at 31 March 2016 (2015: 41). Remunerations are commensurate with the nature of job, staff experience and market conditions.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to all management and staff for their diligence and continuing support.

ON BEHALF OF THE BOARD

Ms. Chen Tong
Chairman

Hong Kong, 28 June 2016

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices in accordance with the needs of the Group's business.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Board, during the year ended 31 March 2016, the Company has complied with the code provisions set out in the CG Code, except for the code provisions A.2.1, A.4.1 and E.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decisions and performances in the attainment of the objectives of ensuring effective functioning and growth of the Group and enhancing value to investors. All the directors carry out their duties in good faith and act in the interests of the Group.

All directors have timely access to all relevant information as well as the advices and services of the Company Secretary and management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Executive Committee and the management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the management to discharge its responsibilities.

A. THE BOARD (continued)

A2. Board Composition

The Board comprised the following directors as at 31 March 2016:

Executive directors:

Ms. Chen Tong (*Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee*)

Mr. Xiang Liang (*Member of the Executive Committee, Remuneration Committee and Nomination Committee*)

Independent non-executive directors:

Ms. Zhang Ruisi (*Chairman of both the Audit Committee and the Nomination Committee*)

Mr. Tse Kwong Chan (*Chairman of the Remuneration Committee, Member of both the Audit Committee and the Nomination Committee*)

Ms. Zhou Jue (*Member of both the Audit Committee and the Remuneration Committee*)

Throughout the year ended 31 March 2016, the Board has met the requirements of Listing Rules 3.10 and 3.10A of having at least three independent non-executive directors (representing at least one third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participating in Board meetings and taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The Company also recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board will take into account a number of measurable objectives to achieve its diversity, including but not limited to gender, age, cultural and educational background, or professional experience. Such objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

The biographical details of the directors of the Company are set out under the section headed "Brief Biographical Details in respect of Directors" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in light of the independence guidelines set out in the Listing Rules.

A. THE BOARD (continued)

A3. Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

Ms. Chen Tong (“Ms. Chen”) currently holds the positions of Chairman and Chief Executive Officer of the Company. Ms. Chen has extensive experience in management and over 30 years’ business experience. The Board believes that it is in the interests of the Group to have an executive Chairman with in-depth management experiences to guide discussion among Board members on the Group’s development and planning, as well as to execute business strategies of the Group.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company. All directors are experienced businessmen or professionals and they meet regularly to review the Group’s performance. For decisions which may have significant effect on the Group’s business, attendance of all directors at a Board meeting is secured as far as possible. The Board shall review this structure from time to time to ensure appropriate and timely action is taken to meet changing circumstances.

A4. Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company’s Bye-laws (the “Bye-laws”). According to the Bye-laws, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting after appointment. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Code provision A.4.1 of the CG Code stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. Ms. Zhang Ruisi, an independent non-executive director of the Company, is engaged for a term of 1 year, which is automatically renewable for successive term of one year upon the expiry of the then current term; whereas the other independent non-executive directors of the Company, namely Mr. Tse Kwong Chan and Ms. Zhou Jue, are not appointed for a specific term. However, all of the Company’s independent non-executive directors are subject to retirement by rotation and re-election by shareholders at the annual general meeting pursuant to the Bye-laws provisions as mentioned above. Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

At the forthcoming annual general meeting of the Company (the “2016 AGM”), Ms. Chen Tong and Mr. Tse Kwong Chan shall retire pursuant to the Bye-laws provisions stated in the foregoing paragraphs. Both of the above 2 retiring directors, being eligible, will offer themselves for re-election at the 2016 AGM. The Board and the Nomination Committee recommended the re-appointment of these retiring directors standing for re-election at the 2016 AGM. The Company’s circular, sent together with this annual report, contains detailed information of these directors pursuant to the requirements of the Listing Rules.

A. THE BOARD (continued)

A5. Induction and Continuing Development for Directors

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and relevant legal and regulatory requirements.

All the Directors understood the importance of continuous professional development and were committed to participate any suitable training or read relevant materials in order to maintain and enhance their knowledge and skills. They are continually updated with legal and regulatory developments, and the business and market changes to refresh their knowledge and to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

During the year ended 31 March 2016, pursuant to code provision A.6.5 of the CG Code, all directors (being Ms. Chen Tong, Mr. Xiang Liang, Ms. Zhang Ruisi, Mr. Tse Kwong Chan, Ms. Zhou Jue, Ms. Li Lin, Ms. Yao Zhengwei and Mr. Wang Zhenghua) received regular briefings and updates from the Company Secretary on the Group's business, operations and corporate governance matters; and read publications, books and other reading materials in relation to financial reporting, investment and corporate management.

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2016 are set out below:

Name of Director	Attendance/Number of Meetings					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Special General Meeting
<i>Executive directors:</i>						
Ms. Chen Tong	22/22	N/A	N/A	N/A	0/1	1/2
Mr. Xiang Liang	22/22	N/A	1/1	1/1	1/1	1/2
Ms. Li Lin (Note)	0/8	N/A	N/A	N/A	0/1	0/1
<i>Non-executive directors:</i>						
Ms. Yao Zhengwei (Note)	3/8	N/A	N/A	N/A	0/1	0/1
Mr. Wang Zhenghua (Note)	2/8	N/A	N/A	N/A	0/1	0/1
<i>Independent non-executive directors:</i>						
Ms. Zhang Ruisi	22/22	3/3	N/A	1/1	1/1	1/2
Mr. Tse Kwong Chan	22/22	3/3	1/1	1/1	0/1	0/2
Ms. Zhou Jue	22/22	3/3	1/1	N/A	0/1	0/2

A. THE BOARD (continued)

A6. Directors' Attendance Records (continued)

Note:

Ms. Li Lin retired as an executive director of the Company, and Ms. Yao Zhengwei and Mr. Wang Zhenghua retired as non-executive directors of the Company on 31 August 2015. Prior to their retirement, 8 Board meetings, 1 annual general meeting, and 1 special general meeting were held during the year ended 31 March 2016.

In addition, the Chairman of the Board also held a meeting with the non-executive directors without the presence of executive directors during the year under review.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code"). Having made specific enquiry of all the Company's directors, they confirmed that they have complied with the required standard set out in the Own Code throughout the year ended 31 March 2016.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Where the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Board has performed corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices, (ii) reviewed and monitored the training and continuous professional development of the Directors and management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Own Code and the Employees Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

A9. Directors' Insurance

The Company has arranged appropriate insurance cover in respect of the legal action against the directors.

B. BOARD COMMITTEES

The Board has four Board committees, namely, the Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Ms. Chen Tong, acting as the chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B2. Remuneration Committee

The Remuneration Committee comprised a total of three members, being Mr. Xiang Liang, the Company's executive director, Mr. Tse Kwong Chan and Ms. Zhou Jue, the Company's independent non-executive directors. The majority of the Remuneration Committee members are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Tse Kwong Chan.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure, the remuneration packages of executive directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted) and the remuneration of non-executive directors. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year under review, the Remuneration Committee has performed the following major works: reviewed the remuneration policy and structure of the Group and made recommendation to the Board; and reviewed the remuneration packages of the directors and management.

The attendance records of each Committee member at the Remuneration Committee meeting held during the year ended 31 March 2016 are set out in section A6 above.

The senior management of the Company are the directors of the Company. Details of the remuneration of each director of the Company for the year ended 31 March 2016 are set out in Note 11 to the consolidated financial statements contained in this annual report.

B. BOARD COMMITTEES (continued)

B3. Audit Committee

The Audit Committee comprises a total of three members, being the three existing independent non-executive directors, namely Ms. Zhang Ruisi, Mr. Tse Kwong Chan and Ms. Zhou Jue. The chairman of the Audit Committee is Ms. Zhang Ruisi. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year under review, the Audit Committee has performed the following major works:

- Reviewed and discussed the annual financial statements, results announcement and report for the year ended 31 March 2015, the related accounting principles and practices adopted by the Group and the relevant audit findings, and the major audit issues reported by the auditor before submission to the Board.
- Reviewed and discussed the interim financial statements, results announcement and report for the six months ended 30 September 2015, and the related accounting principles and practices adopted by the Group.
- Reviewed the relationship with the external auditor by reference to the work performed by the auditor, audit fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- Discussed the appointment of new auditor to fill the vacancy left by the resignation of CCTH CPA Limited during the year, and made recommendation to the Board.
- Reviewed and discussed the internal control matters of the Group, and made recommendation to the Board.

The attendance records of each Committee member at the three Audit Committee meetings held during the year ended 31 March 2016 are set out in section A6 above.

The external auditor attended the above meeting to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters.

The Audit Committee and the Board had the same view regarding the selection and re-appointment of the external auditor of the Company for the years ended/ending 31 March 2016 and 2017.

B. BOARD COMMITTEES (continued)

B4. Nomination Committee

The Nomination Committee comprised a total of three members, being Mr. Xiang Liang, the Company's executive director, Ms. Zhang Ruisi and Mr. Tse Kwong Chan, the Company's independent non-executive directors.

The majority of the Nomination Committee members are independent non-executive directors. The chairman of the Nomination Committee is Ms. Zhang Ruisi.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular, the Chairman and the Chief Executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, integrity, experience, skills, professional knowledge and the amount of time and effort that a candidate will devote to carry out his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year under review, the Nomination Committee has performed the following major works: (i) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; (ii) made recommendation to the Board on the re-election of the retiring directors at the 2015 annual general meeting; (iii) assessed the independence of all the Company's independent non-executive directors; and (iv) considered and made recommendation to the Board on the appointment of Mr. Xiang Liang as a member of both the Remuneration Committee and Nomination Committee of the Company in place of Ms. Chan Ching Ho, Kitty.

The attendance records of each Committee member at the Nomination Committee meeting held during the year ended 31 March 2016 are set out in section A6 above.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2016.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group.

E. COMPANY SECRETARY

On 1 August 2015, Mr. Leung Chi Wing, Billy resigned and Ms. Cheng Suk Kuen was appointed as the Company Secretary of the Company. The Company Secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year under review.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

With effect from 24 February 2016, Cheng & Cheng Limited has been appointed as the new auditor of the Company to fill the vacancy left by the resignation of CCTH CPA Limited on 30 December 2015. Details of the above-mentioned change are set out in the Company's announcements dated 30 December 2015 and 24 February 2016.

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2016 is set out in the section headed "Independent Auditor's Report" in this annual report.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION (continued)

The fees paid/payable to Cheng & Cheng Limited, the Company's external auditor, in respect of audit services and non-audit services for the year ended 31 March 2016 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable (HK\$)
Audit services – Annual audit for the year ended 31 March 2016	750,000
Non-audit services – Transaction service fee and advisory service fee for acquisition and disposal of businesses	<u>285,000</u>
TOTAL:	<u>1,035,000</u>

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.986.com.hk, as a communication platform with shareholders and investors, where information and updates on the Company's financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Room 910, 9/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Fax no.: (852) 2536 0289

Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

Code provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Ms. Chen Tong, the Chairman of the Company, was unable to attend the Company's 2015 annual general meeting held on 31 August 2015 since she was overseas at that time. The Company Secretary and auditor were also available to answer questions from shareholders at the meeting.

Code provision E.1.2 of the CG Code also stipulates that the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. At the Company's special general meeting held on 3 July 2015 for approving the refreshment of general mandate (details of such transaction were set out in the Company's circular dated 12 June 2015), the independent board committee members were not present. The Company's management was arranged to answer questions from the independent shareholders at that meeting.

H. SHAREHOLDER RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene a special general meeting or put forward proposals at shareholders' meetings pursuant to the Companies Act 1981 of Bermuda and the Bye-laws as follows:

- (1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a special general meeting pursuant to Bye-law 58 of the Bye-laws by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.
- (2) Shareholder(s) representing not less than one-twentieth of the total voting rights at the date of the requisition or not less than 100 shareholders may put forward a proposal at a shareholders' meeting, pursuant to the Companies Act 1981 of Bermuda, by sending a written requisition to the Board or the Company Secretary at the Company's registered office/principal place of business in Hong Kong. The proposal should be stated in the written requisition and such written requisition should be submitted as early as practicable to enable the Company to make necessary arrangement (in case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in case of any other requisition, not less than one week before the meeting).
- (3) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar at least 7 days prior to the date of the general meeting. Where the notices are submitted after the dispatch of the notice of the general meeting, the period for lodgement of such notices should commence on the day after the dispatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

During the year under review, the Company has not made any changes to the Bye-laws. An up-to-date version of the Bye-laws is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Bye-laws for further details of their rights.

All resolutions put forward at shareholders' meetings of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results shall be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.986.com.hk) after a shareholders' meeting.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 48 to the consolidated financial statements.

BUSINESS REVIEW

The business review, including an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in "Chairman's Statement and Management Discussion and Analysis" of this annual report. Description of the principal risks and uncertainties facing by the Company can be found throughout this annual report, particularly in Notes 45 and 46 to the consolidated financial statements. These discussions form part of this "Report of the Directors".

RESULTS

The Group's loss for the year ended 31 March 2016 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 33 to 126.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 March				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	<u>44,626</u>	<u>52,710</u>	<u>61,658</u>	<u>143,086</u>	<u>178,822</u>
(Loss)/profit before tax	<u>(103,655)</u>	<u>(151,560)</u>	<u>(1,423,229)</u>	<u>(394,598)</u>	<u>9,221</u>
Taxation	<u>265</u>	<u>392</u>	<u>316</u>	<u>3,367</u>	<u>(330)</u>
(Loss)/profit for the year	<u>(103,390)</u>	<u>(151,168)</u>	<u>(1,422,913)</u>	<u>(391,231)</u>	<u>8,891</u>

SUMMARY OF FINANCIAL INFORMATION (continued)

	At 31 March				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Property, plant and equipment	11,172	20,253	19,639	24,246	46,619
Investment properties	–	–	–	–	10,150
Prepaid land lease payments	–	–	–	–	1,063
Goodwill	91,493	260,573	185,838	319,000	522,849
Intangible assets	–	27,979	32,178	36,479	39,728
Interest in an associate	204,358	–	–	–	–
Available-for-sale investments	835,517	274,248	64,954	82,081	128,000
Amount due from a minority shareholder	–	–	–	–	13,300
Total non-current assets	<u>1,142,540</u>	<u>583,053</u>	<u>302,609</u>	<u>461,806</u>	<u>761,709</u>
Current assets	272,886	354,042	49,254	93,662	243,345
Current liabilities	(265,811)	(319,812)	(173,312)	(364,266)	(471,660)
Net current assets/(liabilities)	<u>7,075</u>	<u>34,230</u>	<u>(124,058)</u>	<u>(270,604)</u>	<u>(228,315)</u>
Total assets less current liabilities	1,149,615	617,283	178,551	191,202	533,394
Promissory notes payable	(31,289)	–	–	–	–
Unconvertible bonds	(20,434)	(20,297)	(20,168)	(20,000)	–
Finance lease payables	–	–	–	–	(414)
Deferred tax liabilities	–	(21,286)	(8,070)	(9,224)	(11,891)
Net assets	<u>1,097,892</u>	<u>575,700</u>	<u>150,313</u>	<u>161,978</u>	<u>521,089</u>

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's businesses are mainly carried out by the Company's subsidiaries established in Hong Kong, the PRC and the British Virgin Islands while the Company itself is incorporated in Bermuda with its shares listed on the Stock Exchange. Our establishment and operations shall comply with relevant laws and regulations in Bermuda, Hong Kong, the PRC and the British Virgin Islands accordingly.

For the year ended 31 March 2016, as far as the Board is aware, there was no material breach of the laws or regulations that have a significant impact on the Group's business and operation.

ENVIRONMENTAL PROTECTION POLICY

The Group is committed to building an eco-friendly corporation that tries to reduce the impacts of its operation on the environment. The Group continues to make endeavors in lowering resources consumption by reducing electricity consumption, keeping office temperature at reasonable level and cutting paper usage by duplex printing so as to help minimize the negative impact of company operations on the environment.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

The Company issued new ordinary shares during the year upon completion of placings of new shares, details of which are disclosed in the section headed "Share Capital and Capital Structure" under "Chairman's Statement and Management Discussion & Analysis" of this annual report. Details of movements in the Company's share capital and share options during the year are set out in Notes 33 and 34 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as (i) the Company's share option scheme disclosed in Note 34 to the consolidated financial statements, and (ii) the placing agreements entered into between the Company and the Placing Agent disclosed in the section headed "Share Capital and Capital Structure" under "Chairman's Statement and Management Discussion & Analysis" of this annual report, no equity-linked agreements were entered into by the Company during the year and subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DONATIONS

No donations were made by the Group during the year ended 31 March 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company does not have any reserves available for cash distribution and/or distribution in specie. In addition, the Company's share premium account in the amount of HK\$2,601,203,000 may be distributed in the form of fully paid bonus shares.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales attributable to the Group's five largest customers accounted for approximately 57.36% of the total sales for the year and sales to the largest customer included therein amounted to approximately 28.80%.

In the year under review, the purchases attributable to the Group's five largest suppliers accounted for approximately 55.11% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 21.32%.

None of the directors of the Company or any of their close associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the number of the Company's issued shares) had any beneficial interest in the Group's five largest suppliers or customers.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's businesses cannot be achieved without the support from stakeholders. The Group has always paid attention to and maintained a good relationship with its customers by providing customer-oriented services. To achieve our best products and services to our customers, the Group is striving to maintain good relationship and close communication with suppliers for continual improvement of both products and services provided. The Group also values the knowledge and skills of employees. Competitive remuneration package is offered to retain high-calibre employees and make sure that their performance goals are aligned with the Group's business objectives.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Ms. Chen Tong
Mr. Xiang Liang
Ms. Li Lin (Retired on 31 August 2015)
Ms. Chan Ching Ho, Kitty (Resigned on 1 April 2015)

Non-executive directors:

Ms. Yao Zhengwei (Retired on 31 August 2015)
Mr. Wang Zhenghua (Retired on 31 August 2015)

Independent non-executive directors:

Ms. Zhang Ruisi
Mr. Tse Kwong Chan
Ms. Zhou Jue

Report of the Directors

DIRECTORS (continued)

In accordance with the Bye-laws, Ms. Chen Tong and Mr. Tse Kwong Chan shall retire from office as directors of the Company at the forthcoming annual general meeting of the Company. The above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Executive directors:

Ms. Chen Tong (“Ms. Chen”), aged 52, is the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and an executive director of the Company. She joined the Group in December 2010. Ms. Chen graduated from Tongji University in 2002 with a bachelor’s degree in administrative management. She is currently the vice general manager of a logistic company in the PRC. She has over 21 years experience in the banking industry and is an economist.

Mr. Xiang Liang (“Mr. Xiang”), aged 47, is an executive director and a member of the Executive Committee of the Company. He joined the Group in March 2010. He was appointed as a member of both the Nomination Committee and the Remuneration Committee of the Company with effect from 1 April 2015. Mr. Xiang holds a degree in accounting and finance from Shanghai TV University (now known as “Shanghai Open University”) and is a banker of Hongkou Qu, Shanghai Branch, China Construction Bank for more than 20 years.

Independent non-executive directors:

Ms. Zhang Ruisi (“Ms. Zhang”), aged 29, was appointed as an independent non-executive director of the Company and the Chairman of both the Audit Committee and the Nomination Committee of the Company with effect from 1 September 2014. Ms. Zhang obtained a bachelor degree in business administration from The Chinese University of Hong Kong in 2009 and obtained a master degree in finance from The University of Hong Kong in 2015. She has over 4 years of experience in auditing listed companies and is a member of Hong Kong Institute of Certified Public Accountants. Since June 2016, she has served as senior internal audit officer of Henderson Sunlight Asset Management Limited and acted as manager of Sunlight Real Estate Investment Trust (stock code: 435) whose shares are listed on the Main Board of the Stock Exchange.

Ms. Zhou Jue (“Ms. Zhou”), aged 30, is an independent non-executive director of the Company. She is also a member of both the Audit Committee and the Remuneration Committee of the Company. She joined the Company in December 2010. Ms. Zhou studied corporate management in Shanghai Maritime University. She is currently a deputy director of channel sales in a media advertising company. Ms. Zhou has experience in hotel management and investment sales and promotion.

Mr. Tse Kwong Chan (“Mr. Tse”), aged 46, is an independent non-executive director, the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. He joined the Company in March 2011. He graduated from Dawson College, Canada with a degree majoring in Mathematics in 1991. Mr. Tse has over 21 years of working experience in the area of sales and marketing and management.

Save as disclosed herein, there is no other relationship between each of the directors as required to be disclosed under the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The remuneration of directors is transacted and voted by the shareholders at annual general meeting as ordinary business during which the Board is authorized to fix the remuneration of directors. The remuneration payable to directors is then determined by the Board with reference to directors' duties, responsibilities and performance and results of the Group and the recommendations of the Remuneration Committee subject to the Bye-laws.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 44 to the consolidated financial statements, none of directors of the Company or their connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party subsisted at the end of the year or at any time during the year ended 31 March 2016.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors nor their respective close associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in Note 34 to the consolidated financial statements, neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the objects or one of the objects of such arrangement are/is 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of Interests	Number of ordinary shares interested	Percentage* of the Company's issued share capital
上海海通證券資產管理有限公司	Trustee ^(Note 1)	400,000,000	10.69%
中歐盛世資產管理(上海)有限公司	Trustee ^(Note 2)	400,000,000	10.69%

Notes:

1. 上海海通證券資產管理有限公司 is interested in these 400,000,000 shares of the Company in a capacity of a trustee of 海通國貿1號定向資產管理計劃 pursuant to Part XV of the SFO.
2. 中歐盛世資產管理(上海)有限公司 is interested in these 400,000,000 shares of the Company in a capacity of a trustee of 中歐鑫港復興1號特定多客戶資產管理計劃 pursuant to Part XV of the SFO.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 March 2016. As at 31 March 2016, the number of issued shares of the Company was 3,742,286,406 shares of HK\$0.01 each.

Save as disclosed above, as at 31 March 2016, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-Laws of the Company, every director for the time being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done about the execution of duties of his/her office or otherwise in relation thereto.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

CONNECTED TRANSACTIONS

The related party transactions as disclosed in Note 44 to the consolidated financial statements do not fall under the definitions of “connected transaction” or “continuing connected transaction” in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, at least 25% of the Company’s total number of issued shares were held by the public.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in Note 50 to the consolidated financial statements.

AUDITOR

CCTH CPA Limited had acted as the auditor of the Company for the years ended 31 March 2013, 2014 and 2015. CCTH CPA Limited has tendered its resignation as auditor of the Company with effect from 30 December 2015. Cheng & Cheng Limited has been appointed as auditor of the Company with effect from 24 February 2016 to fill the casual vacancy left by CCTH CPA Limited.

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

ON BEHALF OF THE BOARD

Ms. Chen Tong
Chairman

Hong Kong
28 June 2016



Independent Auditor's Report



CHENG & CHENG LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

鄭 鄭 會 計 師 事 務 所 有 限 公 司

10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

TO THE SHAREHOLDERS OF CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Environmental Energy Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 126, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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



Independent Auditor's Report

OPINION

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2015 were audited by another auditor who expressed an unmodified opinion on these statements on 29 June 2015.

CHENG & CHENG Limited

Certified Public Accountants

Hong Kong, 28 June 2016

Chan Shek Chi

Practising Certificate number P05540

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (Restated)
Continuing Operations			
Revenue	5	19,086	11,245
Cost of sales		(11,380)	(5,713)
Gross profit		7,706	5,532
Investment and other income	7	1,028	10
Other gains and losses	8	(44,039)	(14,026)
Selling and distribution expenses		(380)	(162)
Administrative expenses		(36,275)	(27,983)
Finance costs	9	(8,937)	(47,188)
Loss before taxation	10	(80,897)	(83,817)
Taxation	13	(820)	(570)
Loss for the year from continuing operations		(81,717)	(84,387)
Discontinued Operations			
Loss for the year from discontinued operations	14	(21,673)	(66,781)
Loss for the year		(103,390)	(151,168)
Other comprehensive income/(expense), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations			
Exchange differences arising during the year		(2,262)	(348)
Reclassification adjustments relating to foreign operations disposed of during the year		2,350	–
		88	(348)
Available-for-sale investments			
Increase in fair value		466,854	80,588
Reclassification adjustments for gains included in the consolidated statement of profit or loss – Gain on disposal		(23,495)	–
		443,359	80,588
Other comprehensive income for the year, net of income tax		443,447	80,240
Total comprehensive income/(expense) for the year		340,057	(70,928)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (Restated)
Loss for the year from continuing operations attributable to:			
Owners of the Company		(81,808)	(84,814)
Non-controlling interests		91	427
		<u>(81,717)</u>	<u>(84,387)</u>
Loss for the year from discontinued operations attributable to:			
Owners of the Company		(20,754)	(63,068)
Non-controlling interests		(919)	(3,713)
		<u>(21,673)</u>	<u>(66,781)</u>
Loss for the year from continuing and discontinued operations attributable to:			
Owners of the Company		(102,562)	(147,882)
Non-controlling interests		(828)	(3,286)
		<u>(103,390)</u>	<u>(151,168)</u>
Total comprehensive income/(expense) attributable to:			
Owners of the Company		340,484	(67,637)
Non-controlling interests		(427)	(3,291)
		<u>340,057</u>	<u>(70,928)</u>
		2016 HK\$	2015 HK\$
Loss per share	16		
From continuing and discontinued operations			
Basic		<u>(0.03)</u>	<u>(0.15)</u>
Diluted		<u>(0.03)</u>	<u>(0.15)</u>
From continuing operations			
Basic		<u>(0.02)</u>	<u>(0.09)</u>
Diluted		<u>(0.02)</u>	<u>(0.09)</u>
From discontinued operations			
Basic		<u>(0.01)</u>	<u>(0.06)</u>
Diluted		<u>(0.01)</u>	<u>(0.06)</u>

Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	17	11,172	20,253
Goodwill	18	91,493	260,573
Intangible assets	19	–	27,979
Interest in an associate	20	204,358	–
Available-for-sale investments	21	835,517	274,248
		1,142,540	583,053
Current assets			
Inventories	22	–	494
Trade and bills receivables	23	3,263	16,795
Loan and interest receivables	24	44,427	–
Other receivables, prepayments and deposits paid	25	24,342	14,880
Restricted bank deposits	26	–	5,877
Cash deposits held by securities brokers	26	7	36,574
Bank balances and cash	26	22,766	214,330
		94,805	288,950
Assets classified as held for sale	27	178,081	65,092
		272,886	354,042
Current liabilities			
Trade and bills payables	28	335	7,064
Other payables and accruals	29	54,960	41,944
Promissory notes payable	30	101,381	201,902
Bank and other borrowings	31	–	23,759
Financial liabilities designated at fair value through profit or loss	32	–	1,933
Income tax payable		425	22,610
		157,101	299,212
Liabilities directly associated with assets classified as held for sale	27	108,710	20,600
		265,811	319,812
Net current assets		7,075	34,230
		1,149,615	617,283

Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	33	37,423	26,023
Share premium and reserves		<u>1,062,941</u>	<u>556,225</u>
Equity attributable to owners of the Company		1,100,364	582,248
Non-controlling interests		<u>(2,472)</u>	<u>(6,548)</u>
Total equity		<u>1,097,892</u>	<u>575,700</u>
Non-current liabilities			
Promissory notes payable	30	31,289	–
Unconvertible bonds	35	20,434	20,297
Deferred tax liabilities	36	–	<u>21,286</u>
Total non-current liabilities		<u>51,723</u>	<u>41,583</u>
		<u>1,149,615</u>	<u>617,283</u>

The consolidated financial statements on pages 33 to 126 were approved and authorised for issue by the Board of Directors on 28 June 2016 and are signed on its behalf by:

Chen Tong
Director

Xiang Liang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Investments Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2014	2,320	1,931,981	2,031	-	3,303	464	(1,786,662)	153,437	(3,124)	150,313
Loss for the year	-	-	-	-	-	-	(147,882)	(147,882)	(3,286)	(151,168)
Other comprehensive (expense)/ income, net of income tax										
Exchange difference arising from translation of foreign operations	-	-	-	-	(343)	-	-	(343)	(5)	(348)
Increase in fair value of available-for-sale investments	-	-	-	80,588	-	-	-	80,588	-	80,588
Total comprehensive income/ (expense) for the year	-	-	-	80,588	(343)	-	(147,882)	(67,637)	(3,291)	(70,928)
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	(133)	(133)
Issue of shares upon placement of shares	572	50,494	-	-	-	-	-	51,066	-	51,066
Issue of shares upon rights issue	23,131	427,932	-	-	-	-	-	451,063	-	451,063
Share issue expenses	-	(5,681)	-	-	-	-	-	(5,681)	-	(5,681)
At 31 March 2015 and 1 April 2015	26,023	2,404,726	2,031	80,588	2,960	464	(1,934,544)	582,248	(6,548)	575,700
Loss for the year	-	-	-	-	-	-	(102,562)	(102,562)	(828)	(103,390)
Other comprehensive (expense)/ income, net of income tax										
Exchange difference arising from translation of foreign operations	-	-	-	-	(2,663)	-	-	(2,663)	401	(2,262)
Reclassification adjustments relating to foreign operations disposed of during the year	-	-	-	-	2,350	-	-	2,350	-	2,350
Increase in fair value of available-for-sale investments	-	-	-	466,854	-	-	-	466,854	-	466,854
Reclassification adjustments for gains on disposal of available-for-sale investments included in profit or loss	-	-	-	(23,495)	-	-	-	(23,495)	-	(23,495)
Total comprehensive income/ (expense) for the year	-	-	-	443,359	(313)	-	(102,562)	340,484	(427)	340,057
Non-controlling interests arising on further acquisition of subsidiaries	-	-	-	-	-	-	(30,245)	(30,245)	4,887	(25,358)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(384)	(384)
Issue of shares upon placing of shares	11,400	199,080	-	-	-	-	-	210,480	-	210,480
Share issue expenses	-	(2,603)	-	-	-	-	-	(2,603)	-	(2,603)
At 31 March 2016	37,423	2,601,203	2,031	523,947	2,647	464	(2,067,351)	1,100,364	(2,472)	1,097,892

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Loss for the year		(103,390)	(151,168)
Adjustments for:			
Income tax credit recognised in profit or loss	13	(265)	(392)
Gain on disposal of non-listed securities		(3,257)	–
Finance costs		10,504	48,795
Interest on financial liabilities designated at fair value through profit or loss		–	133
Depreciation of property, plant and equipment		4,338	4,047
Amortisation of intangible assets		4,172	4,257
Loss on disposal of property, plant and equipment		–	1,592
Loss on disposal of subsidiaries		2,753	–
Loss on change in fair value of financial liabilities designated at fair value through profit or loss		–	133
Impairment loss recognised on:			
– goodwill		19,199	48,216
– available-for-sale investments		74,695	11,208
– other receivables		–	11,705
Bank interest income		(185)	(170)
Other interest income		(829)	–
Fair value gain on disposal of listed equity securities held for investment		(23,495)	–
Realised gain on disposal of listed equity securities held for investment		(10,229)	–
Gain on redemption of convertible bonds		(122)	–
Reversal of impairments loss on other receivables		–	(21)
Gain on early repayment of promissory notes payable		–	(3,093)
Foreign exchange gain, net		–	(1,609)
Operating cash flows before movements in working capital		(26,111)	(26,367)
Decrease/(increase) in inventories		435	(121)
Increase in loan and interest receivables		(44,427)	–
Decrease/(increase) in trade and bills receivables		6,414	(11,684)
Increase in other receivables, prepayments and deposits paid		(13,685)	(3,851)
Decrease in trade and bills payables		(4,017)	(16,234)
Increase in other payables and accruals		1,205	2,968
Cash used in operations		(80,186)	(55,289)
Income tax paid		(485)	–
Net cash used in operating activities		(80,671)	(55,289)

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,187)	(5,356)
Proceeds from disposal of property, plant and equipment		–	8
Proceeds from disposal of non-listed securities		45,400	–
Investment in an associate		(63,000)	–
Acquisition of subsidiaries	39	(540)	209
Disposal of subsidiaries	40	36,636	–
Acquisition of available-for-sale investments		(380,309)	(34,310)
Proceeds from disposal of listed available-for-sale investment		165,911	–
Deposits received on disposal of disposal group/ assets classified as held for sale		50,000	20,600
Bank interest received		1,014	170
Decrease in restricted bank deposits		3,313	5,890
Net cash used in investing activities		(142,762)	(12,789)
Cash flows from financing activities			
Proceeds from issue of new shares		210,480	502,129
Share issue expenses		(2,603)	(5,681)
Proceeds from bank and other borrowings		–	15,881
Repayments of bank and other borrowings		(614)	(68,000)
Repayments of promissory notes payable		(191,950)	(88,000)
Repayments of convertible bonds		(1,944)	–
Interest paid		(17,649)	(47,794)
Net cash (used in)/generated from financing activities		(4,280)	308,535
Net (decrease)/increase in cash and cash equivalents		(227,713)	240,457
Cash and cash equivalents at beginning of the year		250,904	10,603
Effects of exchange rate changes		(70)	(156)
Cash and cash equivalents at end of the year		23,121	250,904
Cash and cash equivalents at end of the year represented by:			
Cash deposits held by securities brokers		7	36,574
Bank balances and cash		23,114	214,330
		23,121	250,904

Notes to Consolidated Financial Statements

For the year ended 31 March 2016

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and its principal place of business is Room 910, 9th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in Note 48. The Company together with its subsidiaries are referred to as the Group.

2. CHANGE OF FUNCTIONAL CURRENCY

In prior years, the Company's functional currency was determined as Renminbi ("RMB") by applying the provisions of paragraph 9 of HKAS 21 "The Effects of Changes in Foreign Exchange Rates" as RMB was the currency of the economic environment that influenced the Group's revenue generated from its businesses.

The directors of the Company considered that the primary economic environment has been substantially changed as the Company's primary source of revenue (i.e. dividend) is derived from the listed equity securities held for investments and the operation of subsidiaries other than which engaged in the businesses of wastes, paper, scrap metal and consumables wastes recycling and trading of petrochemical products in the PRC. Moreover, the funds raised from share placement of the Company as detailed in note 33 to the financial statements during the year were in HK\$. Accordingly, the Directors considered that it is more appropriate to adopt HK\$ as the functional currency of the Company.

The change in functional currency of the Company was applied prospectively from the date of change. On the date of the change of functional currency, all assets, liabilities and profit or loss items were translated into HK\$ at the exchange rate on that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been prepared under the historical cost convention, as modified by financial assets at fair value through other comprehensive income.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) New standards, revisions and amendments to existing standards effective for annual periods beginning 1 April 2015, relevant to the Group's operations and adopted by the Group:

HKAS 19 (Amendment)	Defined Benefit Plans
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The adoption of the above new standards, revisions and amendments to existing standards did not have any material impact on the preparation of the Group's financial statements.

(ii) New standards, amendments to existing standards and interpretation which have been issued but are not effective for the financial year beginning on 1 April 2015 and have not been early adopted:

Annual improvement project	Annual Improvements 2012-2014 Cycle ¹
HKAS 1 (Amendment)	Disclosure Initiative ¹
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants ¹
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements ¹
HKFRS 9	Financial Instruments ²
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its associate or Joint Venture ³
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ⁴

¹ Effective for financial year beginning on or after 1 April 2016

² Effective for financial year beginning on or after 1 April 2018

³ Effective date to be determined

⁴ Effective for financial year beginning on or after 1 April 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) **Basis of preparation** (continued)

(ii) New standards, amendments to existing standards and interpretation which have been issued but are not effective for the financial year beginning on 1 April 2015 and have not been early adopted: (continued)

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

The Group intends to adopt the above standards, amendments and interpretations when they become effective.

(b) **Subsidiaries**

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) **Subsidiaries** (continued)

(i) **Consolidation** (continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) **Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(iii) **Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of (loss)/profit of an associate" in the consolidated profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit or loss during the year in which they are incurred.

Leasehold land and buildings transferred from investment properties are stated at deemed cost equal to its fair value at the date of change in use and is continued to account for as if it was an asset held under finance lease. The entire lease payment of leasehold land and buildings are included in the cost of land and buildings as a finance lease in property, plant and equipment and stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost, other than construction in progress, over their estimated useful lives from the date on which they are available for use and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the shorter of the lease terms or 20%
Plant and machinery	9% to 10%
Furniture and office equipment	10% to 20%
Motor vehicles	18% to 20%
Motor vessel	20%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Residual values and useful lives are reviewed at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains and losses" in the consolidated profit or loss.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets (continued)

(i) Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Customer relationship

Customer relationship acquired in a business combination are recognised at fair value at the acquisition date. Customer relationship has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from ten years over the expected life of customer relationship.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the reporting date.

(g) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held-for-sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Non-current assets (or disposal groups) held-for-sale and discontinued operations (continued)

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(h) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: Available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

– *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and bills receivables, loan and interest receivables, other receivables and deposits paid restricted cash deposits, cash deposits held by securities brokers and bank balance and cash in the consolidated statement of financial position.

– *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designed in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair values or cost less impairment. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated profit or loss as “fair value gain on disposal of listed equity securities held for investment”.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of investment and other income when the group’s right to receive payment is established.

(i) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) **Impairment of financial assets** (continued)

(i) **Assets carried at amortised cost** (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit or loss. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated profit or loss.

(ii) **Assets classified as available-for-sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the securities below its costs is also evidence that the assets are impaired. If any such evidence exists the cumulated loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial assets previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated profit or loss on equity instruments are not reversed through the consolidated profit or loss.

(j) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liabilities simultaneously, the legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(k) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less, in the consolidated statement of financial position.

(n) Trade payables

Trade payables are obligation to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

(o) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(p) Borrowings

Borrowings, including promissory notes payable, unconvertible bonds, and bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and an associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition

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

- (i) Revenue from the sale of goods is recognised when the goods are delivered and title has passed.
- (ii) Income from provision of internet online services is recognised when such services are rendered.
- (iii) Interest income from a financial asset 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- (iv) Dividend income is recognised when the right to receive payment is established.

(s) Retirement benefits scheme

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income subject to a cap of HK\$1,500 per month. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets, when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the assets for its intended use or sale are in progress. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated profit or loss in the period in which they are incurred.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(v) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the consolidated profit or loss within "Other gains and losses".

Translation differences on non-monetary financial assets and liabilities such as available-for-sale investments are included in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) **Foreign currency translation** (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that reporting;
- (b) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the consolidated profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(w) **Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit or loss on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity received services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specific time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purpose of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

4. 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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(a) Impairment of goodwill

Determining whether goodwill is impaired requires the Group to assess the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount is the higher of fair value less costs to sell and the value in use. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected or when there is a revision to the estimated future cash flows due to changes in fact or circumstances, a material impairment loss on goodwill may arise.

The carrying amount of goodwill as at 31 March 2016 was HK\$91,493,000 (2015: HK\$260,573,000). Impairment loss of goodwill amounting to HK\$19,199,000 has been recognised in profit or loss in respect of the year ended 31 March 2016 (2015: HK\$48,216,000), details of which are disclosed in Note 18.

(b) Impairment loss of unlisted available-for-sale investments

During the year, the Company entered into an agreement for the further acquisition of the Group's investment in Pure Power Holdings Limited as detailed in Note 21(b). Management assessed the recoverability of this investment based on the consideration for the acquisition of HK\$163,000,000 as stipulated in the related agreement and impairment loss of HK\$74,695,000 on the investment has been recognised in the profit or loss in respect of the year ended 31 March 2016 (2015: HK\$ Nil). Should the completion of the acquisition not take place in accordance with the sale agreement, the recoverable amount of the available-for-sale investment will have to be determined based on prevailing circumstances and an additional impairment loss may arise.

In addition, management assessed the recoverability of the other unlisted available-for-sale investments based on the present value of the estimated future cash flows expected to arise from the investments and discounted at the appropriate rates of return. Estimation of future cash flows may be adversely affected by the deterioration in financial position of the investees, industry and sector performances, changes in technology, and operational and financing cash flows. If the carrying amount of each of these investments is less than its recoverable amount, an impairment loss is recognised in the profit or loss. Variation in the estimated future cash flows and the discount rates used may result in adjustment to the recoverable amount and may give rise to the recognition of an impairment loss. For the year ended 31 March 2016, impairment loss on an available-for sale investment amounting to HK\$74,695,000 (2015: HK\$11,208,000) has been recognised, details of which are disclosed in Note 21.

(c) Impairment of non-financial assets (other than goodwill)

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(d) Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of property, plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down in future periods.

(e) Impairment loss recognised in respect of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of debtors' balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 March 2016, the carrying amount of trade and other receivables amounted to an aggregate of approximately HK\$3,269,000 (net of accumulated impairment losses of approximately HK\$ Nil) (2015: carrying amount amounted to an aggregate of approximately HK\$26,039,000 (net of accumulated impairment losses of approximately HK\$88,369,000)).

(f) Estimated allowance for inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and write-down of inventories in the period in which such estimate is changed. As at 31 March 2016, the carrying amount of inventories amounted to approximately HK\$ Nil (2015: HK\$494,000). No write down of inventories has been charged to the consolidated profit or loss in respect of the year (2015: HK\$ Nil).

(g) Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives. The amortisation period and the amortisation method for the intangible assets are reviewed by the management at least at the end of each reporting period. The carrying amount of intangible assets as at 31 March 2016 was HK\$ Nil (2015: HK\$27,979,000).

(h) Fair value measurements and valuation process

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(h) Fair value measurements and valuation process (continued)

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The board of directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities is disclosed in Note 46(c).

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances and trade discounts, income from online products sales, provision of marketing, web design and maintenance services ("Internet Services") and interest income from provision of loans as money lending ("Money Lending") is analysed as below:

	Continuing Operations		Discontinued Operations		Total	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
Sale of goods	8,171	-	25,540	41,465	33,711	41,465
Income from Internet Services	10,488	11,245	-	-	10,488	11,245
Interest income from Money Lending	427	-	-	-	427	-
	19,086	11,245	25,540	41,465	44,626	52,710

6. SEGMENT INFORMATION

(a) Business segments

The Group's operating and reportable segments which are based on the types of products manufactured and services rendered are as follows:

Continuing Operations

Internet Services:	online products sales, provision of marketing, web design and maintenance services
Trading of Gold and Diamond:	purchase and sale of gold and diamond
Money Lending:	provision of loans as money lending

Discontinued Operations

Wastes Recycling:	waste paper, scrap metal and consumable wastes recycling
Trading of Petrochemical Products:	purchase and sale of petrochemical products

Notes to Consolidated Financial Statements (continued)

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment revenue and result

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

For the year ended 31 March 2016

	Continuing operations			Discontinued operations			Total HK\$'000	
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000		Sub-total HK\$'000
Segment revenue:								
Sales to external customers	10,488	8,171	427	19,086	16,972	8,568	25,540	44,626
Intersegment sales	-	-	-	-	-	-	-	-
Revenue from external customers	<u>10,488</u>	<u>8,171</u>	<u>427</u>	<u>19,086</u>	<u>16,972</u>	<u>8,568</u>	<u>25,540</u>	<u>44,626</u>
Segment result	<u>(815)</u>	<u>1,143</u>	<u>192</u>	<u>520</u>	<u>(20,636)</u>	<u>(663)</u>	<u>(21,299)</u>	<u>(20,779)</u>
Interest income								1,014
Other unallocated income								122
Gain on disposal of non-listed securities								3,257
Fair value gain on disposal of listed equity securities held for investment								23,495
Realised gain on disposal of listed equity securities held for investment								10,229
Impairment loss on available-for-sale investments								(74,695)
Other unallocated expenses								(35,794)
Finance costs								(10,504)
Loss before taxation								(103,655)
Taxation								265
Loss for the year								<u>(103,390)</u>

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment revenue and result (continued)

For the year ended 31 March 2015

	Continuing operations			Discontinued operations			Total HK\$'000
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Wastes Recycling HK\$'000 (Restated)	Trading of Petrochemical Products HK\$'000 (Restated)	
Segment revenue:							
Sales to external customers	11,245	-	-	11,245	29,773	11,692	52,710
Intersegment sales	-	-	-	-	-	-	-
Revenue from external customers	<u>11,245</u>	<u>-</u>	<u>-</u>	<u>11,245</u>	<u>29,773</u>	<u>11,692</u>	<u>52,710</u>
Segment result	<u>4,987</u>	<u>-</u>	<u>-</u>	<u>4,987</u>	<u>(65,808)</u>	<u>(414)</u>	<u>(61,235)</u>
Interest income							170
Gain on early repayment of promissory notes payable							3,093
Other unallocated income							2,335
Realised loss on disposal of listed equity securities held for investment							(7,434)
Impairment loss on available-for-sale investments							(11,208)
Loss on change in fair value of financial liabilities designated at fair value through profit or loss ("FVTPL")							(133)
Interest on financial liabilities designated at FVTPL							(133)
Other unallocated expenses							(28,220)
Finance costs							<u>(48,795)</u>
Loss before taxation							(151,560)
Taxation							<u>392</u>
Loss for the year							<u>(151,168)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit or loss represents the profit or loss from by each segment without allocation of certain other income, other gains and losses, central administrative costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

No operating segments have been aggregated to the Group's reportable segments.

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment assets and liabilities

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

For the year ended 31 March 2016

	Continuing operations			Discontinued operations			Total HK\$'000
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000	
Assets and liabilities							
Segment assets							
- Hong Kong	605	31,409	45,466	77,480	-	-	77,480
- The People's Republic of China ("PRC")	64,367	-	-	64,367	178,081	-	178,081
	<u>64,972</u>	<u>31,409</u>	<u>45,466</u>	<u>141,847</u>	<u>178,081</u>	<u>-</u>	<u>178,081</u>
Available-for-sale investments							835,517
Interest in an associate							204,358
Unallocated corporate assets							55,623
Consolidated total assets							<u>1,415,426</u>
Segment liabilities							
- Hong Kong	1,148	449	145	1,742	-	-	1,742
- PRC	446	-	-	446	35,610	-	35,610
	<u>1,594</u>	<u>449</u>	<u>145</u>	<u>2,188</u>	<u>35,610</u>	<u>-</u>	<u>37,798</u>
Promissory notes payable							132,670
Liabilities directly associated with assets classified as held for sale							67,357
Unconvertible bonds							20,434
Unallocated corporate liabilities							59,275
Consolidated total liabilities							<u>317,534</u>

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment assets and liabilities (continued)

For the year ended 31 March 2015

	Continuing operations			Discontinued operations			Total HK\$'000
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000	
Assets and liabilities							
Segment assets							
- Hong Kong	71,019	-	-	71,019	-	-	71,019
- PRC	65,001	-	-	65,001	185,751	3,333	254,085
	<u>136,020</u>	<u>-</u>	<u>-</u>	<u>136,020</u>	<u>185,571</u>	<u>3,333</u>	<u>325,104</u>
Available-for-sale investments							274,248
Assets classified as held for sale							65,092
Unallocated corporate assets							<u>272,651</u>
Consolidated total assets							<u>937,095</u>
Segment liabilities							
- Hong Kong	8,330	-	-	8,330	-	-	8,330
- PRC	104	-	-	104	36,023	1,647	37,774
	<u>8,434</u>	<u>-</u>	<u>-</u>	<u>8,434</u>	<u>36,023</u>	<u>1,647</u>	<u>46,104</u>
Promissory notes payable							201,902
Financial liabilities designated at FVTPL							1,933
Liabilities directly associated with assets classified as held for sale							20,600
Unconvertible bonds							20,297
Unallocated corporate liabilities							<u>70,559</u>
Consolidated total liabilities							<u>361,395</u>

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

- all assets are allocated to reportable segments other than certain property, plant and equipment, restricted bank deposits, cash deposits held by securities brokers and bank balances and cash, available-for-sale investments, interest in an associate certain other receivables, prepayments and deposits paid, certain assets classified as held for sale, and assets used jointly by reportable segments. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to reportable segments other than certain other payables and accruals, promissory notes payable, bank and other borrowings, financial liabilities designated at FVTPL, income tax payable, unconvertible bonds, deferred tax liabilities and liabilities for which reportable segments are jointly liable. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other segment information

In respect of the year ended 31 March 2016

	Continuing Operations			Discontinued Operations			Total HK\$'000
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000	Sub-total HK\$'000	
Depreciation of property, plant and equipment	216	6	3	225	776	-	1,001
Impairment loss recognised on goodwill	3,699	-	-	3,699	15,500	-	19,199
Amortisation of intangible assets	-	-	-	-	4,172	-	4,172
Additions to non-current assets (Note)	69	-	-	69	-	-	69

In respect of the year ended 31 March 2015

	Continuing operations			Discontinued operations			Total HK\$'000
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000	Sub-total HK\$'000	
Depreciation of property, plant and equipment	35	-	-	35	792	-	827
Loss on disposal of property, plant and equipment	-	-	-	-	1,521	-	1,521
Impairment loss recognised on goodwill	-	-	-	-	48,216	-	48,216
Amortisation of intangible assets	-	-	-	-	4,257	-	4,257
Impairment loss recognised on other receivables	-	-	-	-	11,705	-	11,705
Reversal of impairment loss on other receivables	-	-	-	-	21	-	21
Value added tax and other taxes refunded	-	-	-	-	1,168	-	1,168
Additions to non-current assets (Note)	9	-	-	9	-	-	9

Note: The additions to non-current assets exclude assets acquired through acquisition of subsidiaries and financial assets. Further, these non-current assets do not include the assets acquired during the year of HK\$1,118,000 (2015: HK\$5,347,000) which have not been allocated to the business segments.

6. SEGMENT INFORMATION (continued)

(b) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products:

	Continuing operations		Discontinued operations		Total	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
Sales of recycled material	-	-	16,972	29,773	16,972	29,773
Sales of petrochemical products	-	-	8,568	11,692	8,568	11,692
Provision of internet services	10,488	11,245	-	-	10,488	11,245
Sales of gold and diamond	8,171	-	-	-	8,171	-
Money lending	427	-	-	-	427	-
	19,086	11,245	25,540	41,465	44,626	52,710

(c) Geographical information

The Group's operations are mainly located in Hong Kong and the PRC. The operations of the Group's associate is located in the United States of America.

The following table provides an analysis of the Group's revenue by geographic market, irrespective of the origin of customers:

	Hong Kong		PRC		Other		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue								
Sales to external customers	15,020	10,821	29,203	41,776	403	113	44,626	52,710

An analysis of the non-current assets of the Group (other than financial assets) by geographical areas in which the assets are located:

	Hong Kong		PRC		Other		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Non-current assets other than financial assets	40,016	71,899	213,223	236,906	204,358	-	457,597	308,805

Notes to Consolidated Financial Statements (continued)

6. SEGMENT INFORMATION (continued)

(d) Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group are as follows:

	Revenue generated from	2016 HK\$'000	2015 HK\$'000
Customer A	Sale of recycled material	N/A	7,979
Customer B	Sale of recycled material	12,879	10,072
Customer C	Sale of recycled material	N/A	5,990

7. INVESTMENT AND OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
Bank interest income	77	3	108	167	185	170
Other interest income	829	-	-	-	829	-
Value added tax and other taxes refunded (Note below)	-	-	-	1,168	-	1,168
Others	122	7	15	468	137	475
	1,028	10	123	1,803	1,151	1,813

Note: Certain subsidies were granted by the PRC local government to the Company's subsidiaries which are engaged in Wastes Recycling business in the PRC. Under these subsidies, the subsidiaries are entitled to a refund of value added tax and other taxes paid, calculated on a basis as agreed by the local government.

8. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operations		Total	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
Other gains						
Foreign exchange gain, net	5	1,860	-	-	5	1,860
Gain on early repayment of promissory notes payable (Note 30)	-	3,093	-	-	-	3,093
Reversal of impairment loss on other receivables (Note 25)	-	-	-	21	-	21
Fair value gain on disposal of listed equity securities held for investment	23,495	-	-	-	23,495	-
Realised gain on disposal of listed equity securities held for investment	10,229	-	-	-	10,229	-
Gain on disposal of non-listed securities	3,257	-	-	-	3,257	-
Gain on redemption of convertible notes	122	-	-	-	122	-
	37,108	4,953	-	21	37,108	4,974
Other losses						
Amortisation of intangible assets (Note 19)	-	-	(4,172)	(4,257)	(4,172)	(4,257)
Loss on disposal of property, plant and equipment	-	(71)	-	(1,521)	-	(1,592)
Realised loss on disposal of listed equity securities held for investment	-	(7,434)	-	-	-	(7,434)
Loss on change in fair value of financial liabilities designated at FVTPL (Note 32)	-	(133)	-	-	-	(133)
Interest on financial liabilities designated at FVTPL	-	(133)	-	-	-	(133)
Impairment loss recognised on:						
- goodwill (Note 18)	(3,699)	-	(15,500)	(48,216)	(19,199)	(48,216)
- available-for-sale investments (Note 21)	(74,695)	(11,208)	-	-	(74,695)	(11,208)
- other receivables (Note 25)	-	-	-	(11,705)	-	(11,705)
Loss on disposal of subsidiaries	(2,753)	-	-	-	(2,753)	-
	(81,147)	(18,979)	(19,672)	(65,699)	(100,819)	(84,678)
Other losses, net	(44,039)	(14,026)	(19,672)	(65,678)	(63,711)	(79,704)

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Interest expenses on:						
Bank borrowings	-	-	1,567	1,607	1,567	1,607
Promissory notes payables (Note 30)	7,765	13,307	-	-	7,765	13,307
Other borrowings	-	32,752	-	-	-	32,752
Other	34	-	-	-	34	-
Imputed interest on unconvertible bonds (Note 35)	1,138	1,129	-	-	1,138	1,129
	8,937	47,188	1,567	1,607	10,504	48,795

10. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operations		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Staff costs (including directors' emoluments)						
- Directors' fees, staff salaries and allowances	11,855	8,630	673	1,041	12,528	9,671
- Retirement benefits contributions	279	112	106	-	385	112
Total staff costs	12,134	8,742	779	1,041	12,913	9,783
Auditors' remuneration	540	632	210	219	750	851
Cost of inventories recognised as an expense	6,774	-	25,209	40,614	31,983	40,614
Other service costs	4,606	5,713	-	-	4,606	5,713
Depreciation of property, plant and equipment	3,562	3,255	776	792	4,338	4,047
Operating lease rentals in respect of rental premises	1,275	667	-	-	1,275	667

11. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 March 2016

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiaries undertaking.

	Fees HK\$'000	Salary HK\$'000	Discretionary bonus HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Ms. Chen Tong	-	1,448	277	18	1,743
Mr. Xiang Liang	-	404	98	-	502
Ms. Li Lin ²	-	162	-	-	162
Ms. Yao Zhengwei ³	140	-	-	-	140
Mr. Wang Zhenghua ³	140	-	-	-	140
Ms. Zhang Ruisi ⁵	120	-	-	-	120
Mr. Tse Kwong Chan	120	-	-	-	120
Ms. Zhou Jue	120	-	-	-	120
	640	2,014	375	18	3,047

11. BENEFITS AND INTEREST OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

For the year ended 31 March 2015

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiaries undertaking.

	Fees HK\$'000	Salary HK\$'000	Discretionary bonus HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Ms. Chen Tong	-	1,375	277	17	1,669
Mr. Xiang Liang	-	210	49	-	259
Ms. Chan Ching Ho, Kitty ¹	-	252	49	11	312
Ms. Li Lin ²	-	214	49	-	263
Ms. Yao Zhengwei ³	196	-	45	-	241
Mr. Wang Zhenghua ³	196	-	46	-	242
Mr. Ong King Keung ⁴	50	-	-	-	50
Ms. Zhang Ruisi ⁵	70	-	-	-	70
Mr. Tse Kwong Chan	120	-	-	-	120
Ms. Zhou Jue	120	-	-	-	120
	<u>752</u>	<u>2,051</u>	<u>515</u>	<u>28</u>	<u>3,346</u>

Notes:

- 1 Ms. Chan Ching Ho, Kitty resigned as executive director on 1 April 2015
- 2 Ms. Li Lin has retired as executive director on 31 August 2015
- 3 Ms. Yao Zhengwei and Mr. Wang Zhenghua have retired as non-executive directors on 31 August 2015
- 4 Mr. Ong King Keung resigned as independent non-executive director on 1 September 2014
- 5 Ms. Zhang Ruisi was appointed as independent non-executive director on 1 September 2014

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group. No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2016 and 2015.

11. BENEFITS AND INTEREST OF DIRECTORS (continued)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2015: HK\$ Nil).

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

During the year ended 31 March 2016, the Company does not pay consideration to any third parties for making available directors' services (2015: HK\$ Nil).

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

As at 31 March 2016, there are no loans, quasi-loans and other dealing arrangements entered into by the Company or subsidiaries undertaking of the Company in favour of directors, controlled bodies corporate by and controlled entities with such directors (2015: HK\$ Nil).

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

Save as disclosed in the consolidated financial statements, 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.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2015: one) was director of the Company whose emoluments are included in Note 11 above. The emoluments of the remaining four individuals (2015: four individuals) were as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	3,703	2,863
Contributions to retirement benefits schemes	67	52
	3,770	2,915

The emoluments of the remaining four (2015: four) individuals fell within the following bands:

	2016	2015
HK\$ Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$2,000,000	1	–
	4	4

13. TAXATION

Income tax recognised in profit or loss

	Continuing operations		Discontinued operations		Total	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
Hong Kong Profits Tax	421	556	-	-	421	556
PRC Enterprise Income Tax	399	14	-	-	399	14
	820	570	-	-	820	570
Deferred tax credit (Note 36)	-	-	(1,085)	(962)	(1,085)	(962)
Income tax expense/(credit) for the year	820	570	(1,085)	(962)	(265)	(392)

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

PRC Enterprise Income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25%.

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

	2016 HK\$'000	2015 HK\$'000 (Restated)
Loss for the year from continuing operations	(81,717)	(84,387)
Taxation	820	570
Loss before taxation from continuing operations	(80,897)	(83,817)
Tax at the applicable rate of 16.5% (2015: 16.5%)	(13,348)	(13,830)
Tax effect of income not taxable for tax purpose	(9,308)	(6,314)
Tax effect of expenses not deductible for tax purpose	23,285	20,720
Tax effect of tax losses not recognised	137	-
Others	(48)	(20)
Effect of different tax rates of subsidiaries operating in other jurisdictions	102	14
Income tax expense for the year	820	570

13. TAXATION (continued)

Income tax recognised in other comprehensive income

	2016 HK\$'000	2015 HK\$'000
Deferred tax (credit)/charge recognised in other comprehensive income arising from (Note 36):		
– (Reversal)/provision for increase in fair value of available-for-sale investments	(15,633)	15,633
– Reversal/(provision) for tax losses	1,473	(1,473)
	<u>(14,160)</u>	<u>14,160</u>

14. DISCONTINUED OPERATIONS

On 3 February 2016, the Company entered into a memorandum of understanding with a purchaser which is a third party independent of the Company in relation to possible disposal of approximately 93.33% equity interests of Ideal Market Holdings Limited (“Ideal Market”) owned by the Company (the “Possible Disposal”). Ideal Market and its subsidiaries (collectively, the “Disposal Group”) represent the whole principal business segments of the Group in the businesses of Wastes Recycling and Trading of Petrochemical Products in the PRC.

In view of the unsatisfactory performance of Disposal Group over the last few years which had been affected by intensified competition in the market and the increase in operating costs and costs of raw materials, labour and manufacturing overhead, the directors of the Company (the “Directors”) had considered the possibility of selling the Disposal Group to realise the investment and generate cash inflow for the Group. The Possible Disposal is expected to allow the Group to realise its investment in the Disposal Group, eliminate from the Group the uncertainty of future performance of the Wastes Recycling and Trading of Petrochemical Products businesses, reallocate its resources to other business segments and strengthen the capital base of the Group.

At the end of the reporting period, the Possible Disposal was in progress. All assets and liabilities under the Disposal Group were classified as assets and liabilities held for sale (Note 27). Wastes Recycling and Trading of Petrochemical Products business were classified as discontinued operations.

	2016 HK\$'000	2015 HK\$'000
Loss for the year from discontinued businesses	<u>21,673</u>	<u>66,781</u>

14. DISCONTINUED OPERATIONS (continued)

The result of the discontinued operations for the current and prior years are as follows:

	Wastes Recycling		Trading of Petrochemical Products		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	16,972	29,773	8,568	11,692	25,540	41,465
Cost of sales	(16,282)	(28,897)	(8,927)	(11,717)	(25,209)	(40,614)
Gross profit/(loss)	690	876	(359)	(25)	331	851
Investment and other income	123	1,803	-	-	123	1,803
Other gains and losses	(19,672)	(65,678)	-	-	(19,672)	(65,678)
Selling and distribution expenses	(431)	(556)	(155)	(118)	(586)	(674)
Administrative expenses	(1,238)	(2,167)	(149)	(271)	(1,387)	(2,438)
Finance costs	(1,567)	(1,607)	-	-	(1,567)	(1,607)
Loss before taxation	(22,095)	(67,329)	(663)	(414)	(22,758)	(67,743)
Taxation	1,085	962	-	-	1,085	962
Loss for the year	(21,010)	(66,367)	(663)	(414)	(21,673)	(66,781)
Loss for the year attributable to:						
Owners of the Company					(20,754)	(63,068)
Non-controlling interests					(919)	(3,713)
					(21,673)	(66,781)

The cash flows of the discontinued operations for the current and prior years are as follows:

	2016 HK\$'000	2015 HK\$'000
Net cash outflows from operating activities	(2,548)	(22,330)
Net cash inflows from investing activities	3,421	6,087
Net cash (outflows)/inflows from financing activities	(2,181)	15,894
Net cash outflows	(1,308)	(349)

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2016 (2015: HK\$ Nil), nor has any dividend been proposed since the end of the reporting period (2015: HK\$ Nil).

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is as follows:

	Continuing and discontinued operations		Continuing operations	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Loss				
Loss for the purpose of basic loss per share				
Loss for the year attributable to owners of the Company	(102,562)	(147,882)	(81,808)	(84,814)

	Continuing and discontinued operations		Continuing operations	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	3,437,314	1,007,379	3,437,314	1,007,379

For the year ended 31 March 2016 and 2015, diluted loss per share from continuing and discontinued operations and from continuing operations are the same as the basic loss per share from continuing and discontinued operations and from continuing operations because the Group sustained a loss for each of the years presented and the impact of conversion of convertible notes, if any, is regarded anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture and office equipment	Motor vehicles	Motor vessel	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST							
At 1 April 2014	8,960	5,141	201	956	-	10,000	25,258
Additions	-	-	9	1,347	4,000	-	5,356
Acquisition of subsidiaries (Note 39)	90	-	786	-	-	-	876
Transferred from construction in progress	-	-	-	-	10,000	(10,000)	-
Disposals	(145)	(2,760)	(135)	(256)	-	-	(3,296)
Exchange realignment	19	14	7	-	-	-	40
	<u>8,924</u>	<u>2,395</u>	<u>868</u>	<u>2,047</u>	<u>14,000</u>	<u>-</u>	<u>28,234</u>
At 31 March 2015 and 1 April 2015	8,924	2,395	868	2,047	14,000	-	28,234
Additions	825	-	362	-	-	-	1,187
Acquisition of subsidiaries (Note 39)	3	-	23	-	-	-	26
Transfer to disposal group classified as held for sale	(8,417)	(2,298)	(51)	-	-	-	(10,766)
Exchange realignment	(357)	(97)	(36)	-	-	-	(490)
	<u>978</u>	<u>-</u>	<u>1,166</u>	<u>2,047</u>	<u>14,000</u>	<u>-</u>	<u>18,191</u>
At 31 March 2016	978	-	1,166	2,047	14,000	-	18,191
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS							
At 1 April 2014	1,883	3,239	181	316	-	-	5,619
Depreciation provided for the year	716	89	33	409	2,800	-	4,047
Eliminated on disposals	(86)	(1,314)	(120)	(176)	-	-	(1,696)
Exchange realignment	2	8	1	-	-	-	11
	<u>2,515</u>	<u>2,022</u>	<u>95</u>	<u>549</u>	<u>2,800</u>	<u>-</u>	<u>7,981</u>
At 31 March 2015 and 1 April 2015	2,515	2,022	95	549	2,800	-	7,981
Depreciation provided for the year	685	210	234	409	2,800	-	4,338
Transfer to disposal group classified as held for sale	(2,900)	(2,147)	(48)	-	-	-	(5,095)
Exchange realignment	(113)	(85)	(7)	-	-	-	(205)
	<u>187</u>	<u>-</u>	<u>274</u>	<u>958</u>	<u>5,600</u>	<u>-</u>	<u>7,019</u>
At 31 March 2016	187	-	274	958	5,600	-	7,019
CARRYING AMOUNT							
At 31 March 2016	791	-	892	1,089	8,400	-	11,172
At 31 March 2015	6,409	373	773	1,498	11,200	-	20,253

18. GOODWILL

	2016	2015
	HK\$'000	HK\$'000
COST		
At beginning of the year	645,800	522,849
Arising on acquisition of subsidiaries (Note 39)	29,524	122,951
Transferred to disposal group classified as held for sale (Note 27)	(522,849)	–
Derecognised on disposal of subsidiaries (Note 40)	(59,203)	–
At end of the year	93,272	645,800
ACCUMULATED IMPAIRMENT		
At beginning of the year	385,227	337,011
Impairment loss recognised in respect of:		
– Wastes Recycling business (Note 8)	15,500	48,216
– Internet Services business (Note 8)	3,699	–
Transferred to disposal group classified as held for sale (Note 27)	(400,727)	–
Derecognised on disposal of subsidiaries (Note 40)	(1,920)	–
At end of the year	(1,779)	385,227
CARRYING AMOUNT AT END OF THE YEAR	91,493	260,573

Goodwill has been allocated for impairment testing purposes to the following groups of cash-generating units:

Wastes Recycling business – wastes paper, scrap metal and consumable wastes recycling

Internet Services business – Online products sales, provision of marketing, web design and maintenance services

Trading of Gold and Diamond – purchase and sale of gold and diamond

Money Lending – provision of loans as money lending

18. GOODWILL (continued)

The cost of goodwill was allocated to groups of cash-generating units as follows:

	2016	2015
	HK\$'000	HK\$'000
Wastes Recycling business	–	522,849
Internet Services business – Hong Kong	–	59,203
Internet Services business – PRC	63,748	63,748
Trading of Gold and Diamond business	28,524	–
Money Lending business	1,000	–
	<hr/>	<hr/>
At end of the year	93,272	645,800
	<hr/>	<hr/>

Wastes Recycling business

Goodwill of HK\$522,849,000 arose from the acquisition of 80% equity interest in Ideal Market in prior years and was recognised at the date of acquisition. Ideal Market, through its wholly-owned subsidiaries, is engaged in wastes paper, scrap metals and consumable wastes recycling in the PRC.

The recoverable amount of the cash-generating unit of the Wastes Recycling business at 31 March 2015 has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a twenty-year period with growth rates of 20% per annum for the first to second years, 23% per annum for the third to ninth years, 18% per annum for the tenth to fifteenth years, 15% per annum for the sixteenth to eighteenth years and 3% per annum for the remaining two years and at a discount rate of 13.97%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows, including budgeted sales and gross margin, which is based on the past performance and management's expectations for the market development. The directors estimate that a decrease in growth rate by 1% to 5% would result in the aggregate carrying amount of the cash-generating unit at 31 March 2015 exceeding the recoverable amount of the cash-generating unit by approximately HK\$16,000,000 to HK\$65,600,000. The directors believe that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the cash-generating unit to exceed the corresponding recoverable amount.

As a result of the deterioration of the Wastes Recycling business during the past years, additional impairment loss on goodwill at 31 March 2015 amounting to HK\$48,216,000 was recognised by the Group and charged to profit or loss for the year ended 31 March 2015, which is calculated based on the recoverable amount of the cash-generating unit of Wastes Recycling business. Accumulated impairment losses amounted to HK\$385,227,000 at 31 March 2015 were recognised on goodwill allocated to Wastes Recycling business.

During the year ended 31 March 2016, the goodwill arose from the acquisition of 80% equity interest in Ideal Market was transferred to disposal group classified as held for sale (Note 27).

18. GOODWILL (continued)

Internet Services business – Hong Kong

Goodwill of HK\$59,203,000 arose from the acquisition of 100% equity interest in Asian Champion Limited (“Asian Champion”) and was recognised at the date of acquisition (Note 39). Asian Champion, through its 90% equity owned subsidiary, is principally engaged in the provision of internet online services in Hong Kong relating to product sales and marketing and web maintenance.

The recoverable amount of the cash-generating unit of this Internet Services business at 31 March 2015 has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period with growth rates of 6.29% per annum for the first year, 25.16% per annum for the second year, 32.18% per annum for the third year, 31.42% per annum for the fourth year, 14.14% per annum for the fifth year, with a terminal value of HK\$93,265,000 estimated based on the growth rate of 3% (representing the expected inflation rate) after the five-year period and at a discount rate of 17.59%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows, including budgeted sales and gross margin, which is based on the past performance of the cash-generating unit and management’s expectations for the market development. The directors estimate that a decrease in growth rate by 1% to 5% would result in the aggregate carrying amount of the cash-generating unit at 31 March 2015 exceeding the recoverable amount of the cash-generating unit by approximately HK\$2,877,000 to HK\$11,077,000. The directors believe that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the cash-generating unit to exceed the corresponding recoverable amount.

Based on the impairment testing, the directors consider that there is no impairment of goodwill based on the profitability of this business to which the goodwill relates at 31 March 2015.

During the year ended 31 March 2016, the Company disposed its 100% equity interest in Asian Champion and the goodwill arose from this Internet Services business was derecognised accordingly.

Internet Services business – PRC

Goodwill of HK\$63,748,000 arose from the acquisition of 100% equity interest in Platinum Plus Investment Limited (“Platinum Plus”) and was recognised at the date of acquisition. Platinum Plus, through its wholly-owned subsidiaries, is principally engaged in provision of internet online services in the PRC relating to product sales and marketing and web maintenance.

The recoverable amount of the cash-generating unit of this Internet Services business at 31 March 2016 has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a four-year period with growth rates of 116.06% per annum for the first year, 107.32% per annum for the second year, 75.00% per annum for the third year and 64.85% per annum for the fourth year, with a terminal value of RMB81,479,000 estimated based on the growth rate of 3% (representing the expected inflation rate) after the four-year period and at a discount rate of 30.41%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows, including budgeted sales and gross margin, which is based on the past performance of the cash-generating unit and management’s expectations for the market development. The directors estimate that a decrease in growth rate by 1% to 5% would result in the aggregate carrying amount of the cash-generating unit at 31 March 2016 exceeding the recoverable amount of the cash-generating unit HK\$1,166,000 to HK\$5,260,000. The directors believe that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the cash-generating unit to exceed the corresponding recoverable amount.

18. GOODWILL (continued)

Internet Services business – PRC (continued)

Based on the impairment testing, impairment loss on goodwill amounting to HK\$1,779,000 was recognised by the Group and charged to the consolidated profit or loss for the year ended 31 March 2016, which is calculated based on the recoverable amount of the cash-generating unit of Internet Services business – PRC. Accumulated impairment losses amounted to HK\$1,779,000 at 31 March 2016 were recognised on goodwill allocated to Internet Services business – PRC.

Trading of Gold and Diamond business

Goodwill of HK\$28,524,000 arose from the acquisition 100% equity interest in Elite Honest Inc. (“Elite Honest”) and was recognised at the date of acquisition (Note 39). Elite Honest, through its wholly-owned subsidiary, is principally engaged in the trading of gold and diamond.

The recoverable amount of the cash-generating unit of this Trading of Gold and Diamond business has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period with growth rates of 25.53% per annum for the first year, 9.82% per annum for the second year, 10.00% per annum for the third year, 10.20% per annum for the fourth year, 10.42% per annum for the fifth year, with a terminal value of HK\$44,392,000 estimated based on the growth rate of 3% (representing the expected inflation rate) after the five-year period and at a discount rate of 15.93%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows, including budgeted sales and gross margin, which is based on the past performance of the cash-generating unit and management’s expectations for the market development. The directors estimate that a decrease in growth rate by 1% to 5% would not result in the aggregate carrying amount of the cash-generating unit at 31 March 2016 exceeding the recoverable amount of the cash-generating unit. The directors believe that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the cash-generating unit to exceed the corresponding recoverable amount.

Based on the impairment testing, the directors consider that there is no impairment of goodwill based on the profitability of Trading of Gold and Diamond business to which the goodwill relates.

Money Lending business

Goodwill of HK\$1,000,000 arose from the acquisition 100% equity interest in Great Luck Finance Limited (“Great Luck”) and was recognised at the date of acquisition (Note 39). Great Luck is principally engaged in the provision of loan as money lending.

The recoverable amount of the cash-generating unit of this Money Lending business has been determined based on a value in use calculated which uses cash flow projections based on financial budgets approved by the directors covering a one-year period.

Based on the impairment testing, the directors consider that there is no impairment of goodwill based on the profitability of Money Lending business to which the goodwill relates.

19. INTANGIBLE ASSETS

	2016 HK\$'000	2015 HK\$'000
COST		
At beginning of the year	42,500	42,432
Exchange realignment	(1,696)	68
Transferred to disposal group classified as held for sale (Note 27)	(40,804)	–
At end of the year	–	42,500
ACCUMULATED AMORTISATION		
At beginning of the year	14,521	10,254
Charge for the year (Note 8)	4,172	4,257
Exchange realignment	(671)	10
Transferred to disposal group classified as held for sale (Note 27)	(18,022)	–
At end of the year	–	14,521
CARRYING AMOUNT AT END OF THE YEAR	–	27,979

The cost of customer relationship is amortised on a straight-line basis over its estimated useful life of 10 years. The carrying amount of the customer relationship at 31 March 2015 will be amortised over the remaining useful life of 6.58 years.

20. INTERESTS IN AN ASSOCIATE

	2016 HK\$'000	2015 HK\$'000
Unlisted		
Cost of investment in an associate	204,358	–
Share of post-acquisition profits and other comprehensive income, net of dividend received	–	–
At end of the year	204,358	–

At the end of the reporting period, the Group had interest in the following associate:

Name of entity	Country/place of incorporation	Principal place of business	Proportion of ownership interest and voting power held by the Group		Principal activities
			2016	2015	
Pure Power Holdings Limited ("Pure Power") (Note)	British Virgin Islands ("BVI")	United States of America ("USA")	49.41%	–	Natural resources

Note:

On 29 January 2016, the Group acquired further 39.41% of the issued share capital of Pure Power at a consideration of HK\$163,000,000 which was satisfied by (i) the promissory note with the principal amount of HK\$100,000,000 issued by the Company; and (ii) cash amounted to HK\$63,000,000. Pure Power is an investment holding company and its subsidiary is principally engaged in exploration and exploitation of natural resources in the USA.

The Group is able to exercise significant influence over Pure Power because it holds 49.41% of the issued share capital of Pure Power.

Summarised financial information in respect of Pure Power is set out below. The summarised financial information below represents amounts shown in Pure Power financial statements prepared in accordance with HKFRSs.

Pure Power is accounted for using the equity method in these consolidated financial statements.

	2016 HK\$'000	2015 HK\$'000
Current assets	1,959	–
Non-current assets	463,505	–
Current liabilities	61,950	–
Non-current liabilities	82,000	–

20. INTERESTS IN AN ASSOCIATE (continued)

	2016 HK\$'000	2015 HK\$'000
Revenue	–	–
Profit and total comprehensive income for the period	–	–
Dividends received from Pure Power during the period	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Pure Power recognised in these consolidated financial statements:

	2016 HK\$'000	2015 HK\$'000
Net assets of Pure Power	321,514	–
Proportion of the Group's ownership interest in Pure Power	49.41%	–
	158,866	–
Goodwill	45,492	–
Carrying amount of the Group's interest in Pure Power	204,358	–

21. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Unlisted shares (Note a)		
At cost	30,610	157,860
Impairment loss recognised	–	(11,198)
	30,610	146,662
Equity securities listed in Hong Kong, at fair value (Note d)	804,907	127,586
At end of the year	835,517	274,248

Notes to Consolidated Financial Statements (continued)

21. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Movements during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Balance at beginning of the year	274,248	64,954
Acquisitions during the year, at cost	380,309	189,310
Increase in fair value of listed securities	429,200	94,748
Impairment loss recognised on unlisted shares (Note 8)	(74,695)	(11,208)
Reclassified to assets classified as held for sale (Note 27)	–	(65,092)
Disposal during the year	(132,188)	–
Transferred to interests in an associate (Note 20)	(41,357)	–
Exchange realignment	–	1,536
	835,517	274,248

Notes:

- (a) The unlisted shares are measured at cost less impairment loss, if any, because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. Particulars regarding these unlisted investments are as follows:

Name of investee	Place of incorporation	Class of shares held	Proportion of ownership interest held by the Group	
			2016	2015
Pure Power (Note b)	BVI	Ordinary	–	10.0%
Starfame Investments Limited (“Starfame”) (Note c)	BVI	Ordinary	9.9%	9.9%

- (b) Pure Power

On 29 April 2014, the Group acquired 10% of the issued share capital of Pure Power from a third party for a consideration of HK\$125,000,000 which was satisfied by (i) the promissory note with the principal amount of HK\$123,200,000 issued by the Company (Note 30(b)) and (ii) the convertible bonds with the principal amount of HK\$1,800,000 (Note 32). Pure Power is an investment holding company and, through its wholly-owned subsidiary incorporated in the USA, is principally engaged in the exploration and exploitation of natural resources in the USA.

On 29 January 2016, the Company further acquired 39.41% of the issued share capital of Pure Power from third party for a consideration of HK\$163,000,000. Pure Power becomes the associate of the Company on acquisition date.

- (c) Starfame

On 20 May 2014, the Group acquired 9.9% of the issued share capital of Starfame from a third party for a consideration of HK\$30,000,000 which was satisfied by the promissory note with the principal amount of HK\$30,000,000 issued by the Company (Note 30(c)). Starfame, through its subsidiaries established in the PRC, is principally engaged in the wholesale and distribution of products encompassing various aspects of production and livelihood.

- (d) The equity securities listed in Hong Kong at 31 March 2015 represents 12,670,000 shares in Jicheng Umbrella Holdings Limited and 63,000,000 shares in WLS Holdings Limited, representing 2.11% and 9.90% equity interest respectively therein. The details of the equity securities listed in Hong Kong held by the Group at 31 March 2016 are disclosed in page 10 of the annual report.

22. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Finished goods	–	494

23. TRADE AND BILLS RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade and bills receivables	3,263	22,795
Less: allowance for impairment loss	–	(6,000)
	3,263	16,795

The Group has a policy of allowing credit period ranging from 3 to 6 months to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted. The Group does not hold any collateral over the balances.

An aged analysis of trade and bills receivables, net of impairment loss recognised, at the end of reporting period, based on the invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 3 months	1,664	8,928
4 to 6 months	1,599	4,679
Over 6 months	–	3,188
At end of the year	3,263	16,795

Movements in allowance for impairment losses of trade and bills receivables are as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	6,000	5,988
Transferred to disposal group classified as held for sale (Note 27)	(5,759)	–
Exchange realignment	(241)	12
At end of the year	–	6,000

23. TRADE AND BILLS RECEIVABLES (continued)

As at 31 March 2016, trade receivables of the Group amounting to HK\$ Nil (2015: HK\$6,000,000) were individually determined to be impaired and impairment loss of the full amount had been recognised. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these receivables.

The aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016 HK\$'000	2015 HK\$'000
Not past due	605	8,928
Less than 3 months past due	1,083	4,679
4 to 6 months past due	1,575	3,188
	<hr/>	<hr/>
At end of the year	3,263	16,795
	<hr/>	<hr/>

The Group's trade and bills receivables that are neither past due nor impaired mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures. No impairment is required for the past due balances based on the Group's assessment of their recoverability.

At 31 March 2016 and 2015, the trade and other receivables were denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
RMB	1,539	4,979
United States dollars ("USD")	104	-
HK\$	1,620	11,816
	<hr/>	<hr/>
	3,263	16,795
	<hr/>	<hr/>

24. LOAN AND INTEREST RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Fixed-rate loan receivables	44,000	–
Interest receivables	427	–
	44,427	–

Included in the gross balances are loans of approximately HK\$44,427,000 which was secured by listed share in Hong Kong (2015: HK\$ Nil).

At 31 March 2016, the loan receivables arising from Money Lending business bear fixed interest rate 20% per annum (2015: Nil). The effective interest rate of the loan receivables is 20% (2015: Nil) per annum.

The maturity profile of these loan receivables from customers (including interest receivables), at the end of the reporting period, analysed by remaining periods to their contracted maturity, is as follow:

	2016 HK\$'000	2015 HK\$'000
Repayable:		
Within 3 months	427	–
Over 3 months but less than 1 year	44,000	–
	44,427	–

The loan receivables from customers have been reviewed by management of the Company to assess impairment allowances which are based on the evaluation of collectability, aging analysis of accounts and on management's judgment, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

At 31 March 2016, none of the loan and interest receivables was past due but not impaired (2015: Nil).

The fair value of the Group's loan and interest receivables, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the end of reporting period, approximates to the carrying amount of the loan and interest receivables.

The loan receivables outstanding as at 31 March 2016 are denominated in Hong Kong dollars.

25. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	2016 HK\$'000	2015 HK\$'000
Other receivables (Note below)	6	9,244
Prepayments	302	465
Deposits paid for purchases of petrochemical products for trading purposes	–	4,506
Deposits paid for purchases of gold and diamond for trading purposes	1,088	–
Other deposits paid	4,946	665
Consideration receivables (Note 40)	18,000	–
	<u>24,342</u>	<u>14,880</u>

Note:

An analysis of other receivables (net of impairment) is as follows:

	2016 HK\$'000	2015 HK\$'000
Other receivables	6	91,613
Less: allowance for impairment loss	–	(82,369)
	<u>6</u>	<u>9,244</u>

Details of other receivables (net of impairment) are as follows:

	2016 HK\$'000	2015 HK\$'000
Advances to staff (Note (i))	6	1,969
Advances to a PRC individual (Note (ii))	–	6,000
Advances to purchase suppliers and other parties	–	1,275
	<u>6</u>	<u>9,244</u>

- (i) The advances were made to staff of certain subsidiaries respectively and are unsecured, interest free and repayable within one year from the reporting date.
- (ii) The advances to a PRC individual amounted to an aggregate of RMB Nil, equivalent to HK\$ Nil (2015: RMB42,453,000, equivalent to HK\$53,086,000) less impairment loss recognised of HK\$ Nil (2015: HK\$47,086,000). These receivables, which were interest free and repayable within one year from the reporting date of 2015, were secured by the pledge of 13.33% equity interest in Ideal Market, a subsidiary, held by its minority shareholder.

25. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID (continued)

Note: (continued)

Movements in the allowance for impairment loss of other receivables are as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	82,369	70,544
Impairment loss recognised on advance to a PRC individual (Note 8):	–	11,705
Impairment loss reversed (Note 8)	–	(21)
Exchange realignment	(3,317)	141
Transferred to disposal group classified as held for sale (Note 27)	(79,052)	–
At end of the year	–	82,369

26. RESTRICTED BANK DEPOSITS, CASH DEPOSITS HELD BY SECURITIES BROKERS AND BANK BALANCES AND CASH

Restricted bank deposits represent deposits placed with a bank in the PRC to secure bills amounted to an aggregate of HK\$5,877,000 issued by the Group which remained unsettled at 31 March 2015. The restricted bank deposits at 31 March 2016 is classified as assets classified as held for sale due to Possible Disposal as disclosed in Note 14 and included in other payables and accruals (Note 29). These restricted bank deposits carry interest at interest rate of 3.05% (2015: 3.05%) per annum.

Bank balances and cash and cash deposits held by securities brokers comprise cash held by the Group and deposits with banks and securities brokers with an original maturity of three months or less. These deposits carry interest at market rates ranging from 0.001% to 0.35% (2015: 0.001% to 0.35%) per annum.

At 31 March 2015, the restricted bank deposits were denominated in RMB.

At 31 March 2016 and 2015, the cash deposits held by securities brokers were denominated in HK\$.

At 31 March 2016 and 2015, the bank balances and cash were denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
RMB	2	1,779
USD	469	–
Euro	80	–
HK\$	22,215	212,551
	22,766	214,330

27. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 4 June 2014, the Company entered into an agreement for the disposal of its 9.9% equity interests in Swift Profit International Limited (“Swift Profit”) for the consideration of HK\$66,000,000. Deposits for the disposal amounted to HK\$20,600,000 was received by the Company up to 31 March 2015. Completion of the disposal was taken place on 30 September 2015, which the balance of the consideration amounted to HK\$45,400,000 was settled by the purchaser.

Same as described in Note 14, the Company entered into a memorandum of understanding with purchases in relation to Possible Disposal. All assets and liabilities under the Disposal Group were classified as assets and liabilities held for sale.

	Ideal Market		Swift Profit		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Available-for-sale investment, net	-	-	-	65,092	-	65,092
Property, plant and equipment	5,671	-	-	-	5,671	-
Goodwill	122,122	-	-	-	122,122	-
Intangible assets	22,782	-	-	-	22,782	-
Inventories	49	-	-	-	49	-
Trade and bills receivables	3,266	-	-	-	3,266	-
Other receivables, prepayments and deposits paid	21,443	-	-	-	21,443	-
Restricted bank deposits	2,400	-	-	-	2,400	-
Bank balances and cash	348	-	-	-	348	-
Assets classified as held for sale	178,081	-	-	65,092	178,081	65,092
Deposits received on disposal of available-for-sale investment	-	-	-	20,600	-	20,600
Trade and bills payables	384	-	-	-	384	-
Other payables and accruals	59,229	-	-	-	59,229	-
Income tax payable	21,152	-	-	-	21,152	-
Bank and other borrowings	22,202	-	-	-	22,202	-
Deferred tax liabilities	5,743	-	-	-	5,743	-
Liabilities classified as held for sale	108,710	-	-	20,600	108,710	20,600
Net assets classified as held for sale	69,371	-	-	44,492	69,371	44,492

28. TRADE AND BILLS PAYABLES

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

	2016 HK\$'000	2015 HK\$'000
Within 3 months	319	6,907
4 to 6 months	12	–
Over 6 months	4	157
	335	7,064

The credit period on purchase of goods ranged from 60 to 90 days.

At 31 March 2016 and 2015, the trade and bills payables were denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
RMB	305	1,007
USD	17	–
HK\$	13	6,057
	335	7,064

29. OTHER PAYABLES AND ACCRUALS

	2016 HK\$'000	2015 HK\$'000
Bills payable (Note 26)	–	5,877
Accrued interests	–	762
Other accrued charges and payables	4,960	35,305
Consideration received in advance (Note)	50,000	–
	54,960	41,944

Note:

The consideration received in advance represents the deposit paid by a purchaser in relation to the Possible Disposal (Note 14).

30. PROMISSORY NOTES PAYABLE

	2016	2015
	HK\$'000	HK\$'000
Promissory notes payable		
– issued on 7 November 2011, unsecured (Note a)	–	5,000
– issued on 29 April 2014, unsecured (Note b)	–	132,300
– issued on 30 January 2015, unsecured (Note e)	–	64,602
– issued on 18 September 2015, unsecured (Note f)	31,289	–
– issued on 29 January 2016, unsecured (Note g)	101,381	–
	132,670	201,902
	2016	2015
	HK\$'000	HK\$'000
Represented by:		
– Current	101,381	201,902
– Non-current	31,289	–
	132,670	201,902

(a) Promissory notes issued on 7 November 2011 (the “Note A”)

On 7 November 2011, the Company issued promissory notes with an aggregate principal amount of HK\$260,000,000 as part of the consideration for the acquisition of Ideal Market. The notes are unsecured and carry interests at 5.25% per annum. The notes with the principal amount of HK\$255,000,000 was repaid up to 31 March 2014.

At 31 March 2015, the promissory notes with the principal amount of HK\$5,000,000 have been overdue for repayment and remained outstanding. As at that date, a litigation was pending against the Company in connection with these promissory notes, details of which are set out in Note 49. The promissory notes with the principal amount of HK\$5,000,000 together with accrued interest HK\$721,000 for aggregate cash consideration of HK\$5,721,000 in August 2015.

The effective interest rate of the Note A in respect of the year ended 31 March 2015 is 5.25% per annum.

30. PROMISSORY NOTES PAYABLE (continued)

(b) Promissory notes issued on 29 April 2014 (the “Note B”)

On 29 April 2014, the Company issued a promissory note with the principal amount of HK\$123,200,000 as part of the consideration for the acquisition for approximately 10% of the issued share capital in Pure Power (Note 21(b)). The note was unsecured, carried interest at 8% per annum and was wholly payable on the date which is 12 months after the date of the issue of the promissory note.

At 31 March 2015, the promissory note with the principal amount of HK\$123,200,000 remained outstanding. Subsequent to 31 March 2015, the Company repaid the promissory note with principal amount of HK\$123,200,000 together with accrued interest thereon of HK\$9,856,000 for an aggregate cash consideration of HK\$133,056,000.

(c) Promissory notes issued on 20 May 2014 (the “Note C”)

On 20 May 2014, the Company issued a promissory note with the principal amount of HK\$30,000,000 as the consideration for the acquisition of 9.9% of the issued share capital in Starfame (Note 21(c)). The note was unsecured, carried interests at 8% per annum and was wholly payable on the date which was 12 months after the date of the issue of the promissory note.

During the year ended 31 March 2015, the Company repaid the promissory note with the principal amount of HK\$30,000,000 together with accrued interest thereon for a cash consideration of HK\$30,000,000.

The fair value of the Note C at the date of issue was estimated to be HK\$30,000,000, based on the effective interest rate of 8% per annum.

(d) Promissory notes issued on 6 October 2014 (the “Note D”)

On 6 October 2014, the Company issued a promissory note with the principal amount of HK\$58,000,000 as the consideration for the acquisition of 100% of the issued share capital in Asian Champion (Note 39). The note was unsecured, carried interests at 8% per annum and was wholly payable on the date which was 12 months after the date of the issue of the promissory note.

During the year ended 31 March 2015, the Company repaid the promissory note with the principal amount of HK\$58,000,000 together with accrued interest thereon for a cash consideration of HK\$58,000,000.

The fair value of the Note D at the date of issue was estimated to be HK\$58,000,000, based on the effective interest rate of 8% per annum.

30. PROMISSORY NOTES PAYABLE (continued)

(e) Promissory notes issued on 30 January 2015 (the “Note E”)

On 30 January 2015, the Company issued promissory notes with the aggregate principal amount of HK\$63,750,000 as the consideration for the acquisition of 100% of the issued share capital in Platinum Plus (Note 39). The notes are unsecured, carry interests at 8% per annum and are wholly payable on the date which is 12 months after the date of the issue of promissory notes.

At 31 March 2015, the Note E with the aggregate principal amount of HK\$63,750,000 remained outstanding.

During the year ended 31 March 2016, the Company repaid the promissory note with principal amount of HK\$63,750,000 together with accrued interest thereon of HK\$5,100,000 for an aggregate cash consideration of HK\$68,850,000.

The fair value of the Note E at the date of issue was estimated to be HK\$63,750,000, based on the effective interest rate of 8% per annum.

(f) Promissory notes issued on 18 September 2015 (the “Note F”)

On 18 September 2015, the Company issued promissory notes with the aggregate principal amount of HK\$30,000,000 as the consideration for the acquisition of 100% of the issued share capital in Elite Honest (Note 39). The notes are unsecured, carry interests at 8% per annum and are wholly payable on the date which is 24 months after the date of the issue of promissory notes.

At the end of the reporting period, the Note F with the aggregate principal amount of HK\$30,000,000 (2015: Nil) remained outstanding.

The fair value of the Note F at the date of issue was estimated to be HK\$30,000,000, based on the effective interest rate of 8% per annum.

(g) Promissory notes issued on 29 January 2016 (the “Note G”)

On 29 January 2016, the Company issued promissory notes with the aggregate principal amount of HK\$100,000,000 as the consideration for the acquisition of 39.41% of the issued share capital in Pure Power (Note 20). The notes are unsecured, carry interests at 8% per annum and are wholly payable on the date which is 12 months after the date of the issue of promissory notes.

At the end of the reporting period, the Note G with the aggregate principal amount of HK\$100,000,000 (2015: Nil) remained outstanding.

The fair value of the Note G at the date of issue was estimated to be HK\$100,000,000, based on the effective interest rate of 8% per annum.

30. PROMISSORY NOTES PAYABLE (continued)

(g) Promissory notes issued on 29 January 2016 (the “Note G”) (continued)

Movements of the promissory notes payable during the year are as follows:

	Note A HK\$'000	Note B HK\$'000	Note C HK\$'000	Note D HK\$'000	Note E HK\$'000	Note F HK\$'000	Note G HK\$'000	Total HK\$'000
At 1 April 2014	5,000	-	-	-	-	-	-	5,000
Issue of promissory notes, at fair value	-	123,200	30,000	58,000	63,750	-	-	274,950
Interest charged for the year (Note 9)	262	9,100	1,631	1,462	852	-	-	13,307
Repayments of promissory notes and interests thereof	-	-	(30,000)	(58,000)	-	-	-	(88,000)
Gain on early repayments of promissory notes (Note 8)	-	-	(1,631)	(1,462)	-	-	-	(3,093)
Interest payable on promissory notes included in other payables and accruals	(262)	-	-	-	-	-	-	(262)
At 31 March 2015 and 1 April 2015	5,000	132,300	-	-	64,602	-	-	201,902
Issue of promissory notes, at fair value	-	-	-	-	-	30,000	100,000	130,000
Interest charged for the year (Note 9)	91	756	-	-	4,248	1,289	1,381	7,765
Repayments of promissory notes and interests thereof	(5,721)	(133,056)	-	-	(68,850)	-	-	(207,627)
Interest payable on promissory notes transferred from in other payables and accruals	630	-	-	-	-	-	-	630
At 31 March 2016	-	-	-	-	-	31,289	101,381	132,670

During the current year, the Company repaid the Note A, Note B and Note E with the aggregate principal amount of HK\$191,950,000 (2015: HK\$88,000,000) together with accrued interests thereon amounted to HK\$15,677,000 (2015: HK\$3,093,000) for an aggregate consideration of HK\$207,627,000 (2015: HK\$88,000,000), which gave rise to a gain on redemption of HK\$ Nil (2015: HK\$3,093,000) recognised in profit or loss in respect of the current year.

31. BANK AND OTHER BORROWINGS

	Effective interest rate		2016 HK\$'000	2015 HK\$'000
	2016	2015		
Bank loans, secured (Note a)	N/A	6.93% – 7.32%	-	23,759

(a) The bank loans outstanding at 31 March 2015 were secured by guarantees given by certain parties not connected with the Group.

(b) At 31 March 2015, all of the Group's bank borrowings were denominated in RMB.

32. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$'000	2015 HK\$'000
Convertible note denominated in Hong Kong dollar 1.8m Note (Note a)	–	1,933

Movement during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Balance at beginning of the year	1,933	–
Issue of 1.8m Note, at fair value	–	1,800
Increase in fair value of 1.8m convertible note	–	133
Accrued interest of convertible note	133	–
Gain on early redemption of convertible note	(122)	–
Early redemption of 1.8m convertible note	(1,944)	–
Balance at end of the year	–	1,933

	2016 HK\$'000	2015 HK\$'000
Total loss on change in fair value recognised in profit or loss (Note a)	–	133

Notes:

(a) 1.8m Note

On 29 April 2014, the Company issued a 8% convertible note with the principal amount of HK\$1,800,000 (the “1.8m Note”) as part of the consideration for the acquisition of approximately 10% equity interest in Pure Power. The 1.8m Note, which carries interest at 8% per annum and will mature immediately after twelve months from the date of issue, entitle the holders thereof to convert the note into new ordinary shares of the Company at an initial conversion price of HK\$0.768 per share at any time from the date of issue of the note until the third business day before the maturity date of the note. The conversion price was adjusted to HK\$15.36 per share and HK\$5.84 per share following the share consolidation and rights issue respectively made during the year. The 1.8m Note may be redeemed at 100% of its outstanding principal amount (in whole or in part) at the option of the Company at any time prior to the maturity date. Unless previously converted, redeemed and cancelled, the outstanding 1.8m Note will be redeemed by the Company on maturity.

The 1.8m Note, which was neither redeemed nor converted into new ordinary shares of the Company during the year ended 31 March 2015, remained outstanding at 31 March 2015. During the year ended 31 March 2016, the 1.8m Note, together with interests thereon, were redeemed by the Company for a consideration of HK\$1,944,000.

32. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

The fair values of the 1.8m Note at the date of issue and at 31 March 2015 were determined based on the valuation conducted by LCH (Asia Pacific) Surveyors Limited (“LCH”), an independent firm of qualified professional valuers, using the binomial pricing model with key input such as share price, expected number of shares to be issued on conversion of the note, risk-free rates, risky rates, expected dividend yield and annualized volatility. The inputs into the binomial pricing model are as follows:

	Risk-free rate %	Risky rate %	Expected dividend yield %	Annualized volatility %
At 31 March 2015	<u>0.01</u>	<u>5.00</u>	<u>Nil</u>	<u>60</u>
At 31 March 2016	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The fair value of the 1.8m Note has been determined on Level 2 fair value measurement. There has been no change from the valuation technique used. Further, there has been no transfer between the different levels of the fair value hierarchy in respect of the fair value measurement of the 1.8m Note.

33. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.0005 each at 1 April 2014	2,000,000,000	1,000,000
Share consolidation (Note a)	<u>(1,900,000,000)</u>	<u>–</u>
Ordinary shares of HK\$0.01 each at 31 March 2015 and 2016	<u>100,000,000</u>	<u>1,000,000</u>

33. SHARE CAPITAL (continued)

	Number of shares '000	Nominal amount HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.0005 each at 1 April 2014	4,639,049	2,320
Issue of shares on placement of shares (Note b)	180,000	90
Share consolidation (Note a)	(4,578,097)	–
Issue of shares on placement of shares (Note c)	48,190	482
Issue of shares on rights issue (Note d)	2,313,143	23,131
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each at 31 March 2015	2,602,285	26,023
Issue of shares on placement of shares (Note e)	520,000	5,200
Issue of shares on placement of shares (Note f)	620,000	6,200
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each at 31 March 2016	3,742,285	37,423

Notes:

- (a) On 20 August 2014, the Company proposed to implement a share consolidation scheme on the basis that every twenty issued and unissued shares of HK\$0.0005 each in the share capital of the Company were consolidated into one consolidated share of HK\$0.01 each. The share consolidation was effected on 3 October 2014.
- (b) On 27 May 2014, the Company entered into a placing agreement with a placing agent, under which 180,000,000 new ordinary shares of the Company were issued at a price of HK\$0.107 per share on 3 June 2014, giving rise to a gross proceeds of HK\$19,260,000 (before expenses).
- (c) On 12 November, 19 November and 27 November 2014, the Company entered into a placing agreement, an supplementary agreement and a second supplementary agreement with a placing agent respectively, under which 48,190,489 new ordinary shares of the Company were issued at a price of HK\$0.66 per share on 3 December 2014, giving rise to a gross proceeds of approximately HK\$31,806,000 (before expenses).
- (d) On 12 November 2014, the Company proposed to implement a rights issue of the new shares of the Company at the subscription price of HK\$0.195 per rights share on the basis of eight rights shares for every one existing share held in issue. In January 2015, 2,313,143,472 new shares of HK\$0.01 each were issued by the Company pursuant to the terms of the rights issue, giving rising to a gross proceeds of approximately HK\$451,063,000 (before expenses) to repay debts payable by the Company and to increase the working capital of the Group.
- (e) On 20 April 2015, the Company entered into a placing agreement with a placing agent, under which 520,000,000 new ordinary shares of the Company were issued at a price of HK\$0.245 per share on 8 May 2015, giving rise to a gross proceeds of approximately HK\$127,400,000 (before expenses).
- (f) On 19 August 2015, the Company entered into a placing agreement with a placing agent, under which 620,000,000 new ordinary shares of the Company were issued at a price of HK\$0.134 per share on 28 August 2015, giving rise to a gross proceeds of approximately HK\$83,080,000 (before expenses).

All the new ordinary shares issued and allotted during both of the years presented rank pari passu in all respect with the then existing ordinary shares of the Company.

34. SHARE OPTION SCHEME

On 30 August 2011, the Company adopted a new share option scheme (the “New Scheme”) to override the share option scheme dated 23 August 2002 (the “Old Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

A summary of the New Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the “Invested Entity”).
Eligible participants	<ul style="list-style-type: none">(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company or any of its subsidiaries or Invested Entity;(ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and(iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of the approval of these consolidated financial statements	629,418 ordinary shares of HK\$0.01 each and approximately 0.02% of the issued share capital.
Maximum entitlement of each eligible participant	Where any grant or further grant of options to an eligible participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

34. SHARE OPTION SCHEME (continued)

Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

such grant or further grant of options must be approved by the shareholders in a general meeting.

Period within which the securities must be taken up under an option

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Scheme.

Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

Amount payable on acceptance of the option and the period within which such payment must be made

The offer of a grant of share options may be accepted within 28 days from the date of offer with a consideration of HK\$1.00 being payable by the grantee.

Exercise price

Determined by the directors but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets on the date of offer of the grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of shares.

35. UNCONVERTIBLE BONDS

Movements in the unconvertible bonds during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	20,297	20,168
Interest charges for the year (Note 9)	1,138	1,129
Interest paid during the year	(1,001)	(1,000)
	<hr/>	<hr/>
At end of the year	20,434	20,297

In July 2012 and October 2012, the Company issued unconvertible bonds with the aggregate principal amounts of HK\$20,000,000 giving rise to a total proceeds of HK\$20,000,000 (before expenses). The unconvertible bonds, which are unsecured and carry interest at 5% per annum, are wholly repayable by the Company on the maturity date of 31 May 2017 at the principal amount. At 31 March 2016, the unconvertible bonds with the principal amount of HK\$20,000,000 (2015: HK\$20,000,000) remained outstanding. The effective interest rate of the unconvertible bonds in respect of the year ranged from 5.55% to 5.65% per annum (2015: ranged from 5.55% to 5.65% per annum).

36. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current year.

	Fair value adjustment on business combination HK\$'000	Change in fair value of available- for-sale investment HK\$'000	Undistributed earnings of PRC subsidiaries HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2014	8,070	-	-	-	8,070
Credited to profit or loss (Note 13)	(1,074)	-	112	-	(962)
Credited to other comprehensive income (Note 13)	-	15,633	-	(1,473)	14,160
Exchange realignment	18	-	-	-	18
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015 and 1 April 2015	7,014	15,633	112	(1,473)	21,286
Credited to profit or loss (Note 13)	(1,053)	-	(32)	-	(1,085)
Credited to other comprehensive income (Note 13)	-	(15,633)	-	1,473	(14,160)
Transfer to disposal group classified as held for sale	(5,668)	-	(75)	-	(5,743)
Exchange realignment	(293)	-	(5)	-	(298)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	-	-	-	-	-

36. DEFERRED TAXATION (continued)

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax in respect of temporary differences attributable to the retained earnings of the PRC subsidiaries from 1 January 2008 amounted to HK\$ Nil (2015: HK\$112,000) has been recognised in the consolidated financial statements.

At the end of the reporting period, the Group had unused tax losses of approximately HK\$5,228,000 (2015: HK\$8,927,000) available for offset against future profits. Deferred tax asset amounted to HK\$ Nil (2015: HK\$1,473,000) has been recognised in respect of the unused tax losses. No deferred tax asset has been recognised for the year ended 31 March 2016 (2015: HK\$1,473,000) in respect of the tax losses due to the unpredictability of future profit streams.

37. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance (“MPF Schemes”) for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee’s relevant monthly income, subject to a cap of monthly relevant income of HK\$25,000 before 1 June 2014 and HK\$30,000 thereafter. Contributions to the plan vest immediately.

The employees of PRC subsidiaries of the Company are members of state-managed retirement benefits schemes operated by the PRC Government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

No forfeited contributions were recognised for the year ended 31 March 2016 (2015: HK\$ Nil) and there were no material forfeitures available to reduce the Group’s future contributions as at 31 March 2016 and 2015.

38. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group rented certain office premises under operating lease arrangements, with the leases negotiated for a term within one to two years (2015: within one to two years).

38. OPERATING LEASE COMMITMENTS (continued)

The Group as lessee (continued)

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

	2016 HK\$'000	2015 HK\$'000
Within one year	1,040	392
Later than one year and within five years	1,173	–
	2,213	392

39. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2016

On 18 September 2015, for the purpose of entering into the trading of gold and diamond industry, the Group acquired 100% equity interest in Elite Honest from a third party for an aggregate consideration of HK\$30,000,000, which was satisfied by the promissory note with the principal amount of HK\$30,000,000 payable by the Company. Elite Honest, through its wholly-owned subsidiary, is engaged in the Trading of Gold and Diamond business in Hong Kong.

On 16 October 2015, for the purpose of entering into the financial service sector, the Group acquired 100% equity interest in Great Luck from a third party for an aggregate consideration of HK\$1,000,000, which was satisfied by cash. Great Luck, which is the holder of money lenders license under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), is engaged in the money lending business in Hong Kong.

The acquisitions have been accounted for by business combination using the acquisition method. The effect of the acquisitions is summarised as follows:

Consideration transferred

	Elite Honest HK\$'000	Great Luck HK\$'000	Total HK\$'000
Consideration paid by issue of promissory notes, at fair value	30,000	–	30,000
Consideration paid by cash	–	1,000	1,000
	30,000	1,000	31,000

Acquisition-related costs amounting to approximately HK\$386,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the “administrative expenses” line item in the consolidated statement of profit or loss and other comprehensive income.

39. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognised at the date of acquisition

	Elite Honest HK\$'000	Great Luck HK\$'000	Total HK\$'000
Non-current assets			
Property, plant and equipment	24	–	24
Current assets			
Trade and bills receivables	2,440	–	2,440
Other receivables, prepayments and deposits paid	34	–	34
Bank balances and cash	460	–	460
Current liabilities			
Trade and bills payables	(270)	–	(270)
Other payables and accruals	(976)	(6)	(982)
Income tax payable	(236)	–	(236)
	<u>1,476</u>	<u>(6)</u>	<u>1,470</u>

The receivables acquired in these transactions had gross amount of HK\$2,440,000. No contractual cash flows from these receivables are expected not to be collected.

Goodwill arising on acquisition

	Elite Honest HK\$'000	Great Luck HK\$'000	Total HK\$'000
Consideration attributable to acquisition	30,000	1,000	31,000
Net (assets acquired)/liabilities assumed	(1,476)	6	(1,470)
Waive of liabilities accrued to a former shareholder	–	(6)	(6)
Goodwill arising on acquisition	<u>28,524</u>	<u>1,000</u>	<u>29,524</u>

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

39. ACQUISITION OF SUBSIDIARIES (continued)

Net cash inflow on acquisition of subsidiaries

	Elite Honest HK\$'000	Great Luck HK\$'000	Total HK\$'000
Cash consideration paid in the year	–	1,000	1,000
Less: Bank balances and cash acquired of	(460)	–	(460)
Net cash (inflow)/outflow on acquisition of subsidiaries	(460)	1,000	540

Impact of acquisitions on the results of the Group

Included in the loss for the year ended 31 March 2016 is profit of HK\$959,000 and HK\$192,000 attributable to the businesses undertaken by Elite Honest and Great Luck respectively. Revenue for the year ended 31 March 2016 includes HK\$8,170,000 and HK\$427,000 in respect of Elite Honest and Great Luck respectively.

Had these business combinations been effected at 1 April 2015, the revenue of the Group from continuing operations would have been HK\$31,608,000, and the loss for the year from continuing operations would have been HK\$80,660,000. The directors of the Company consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

In determining the "pro-forma" revenue and loss of the Group had Elite Honest and Great Luck been acquired at the beginning of the last year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

For the year ended 31 March 2015

On 6 October 2014, for the purpose of engaging in internet related business, the Group acquired 100% equity interests in Asian Champion from a third party for an aggregate consideration of HK\$58,000,000, which was satisfied by the promissory note with the principal amount of HK\$58,000,000 payable by the Company. Asian Champion, through its 90% equity owned subsidiary, is engaged in the provision of internet online services in Hong Kong relating to product sales and marketing and web maintenance.

On 30 January 2015, for the purpose of development of internet related business, the Group acquired 100% equity interests in Platinum Plus from a third party for a consideration of RMB51,000,000 (equivalent to HK\$63,750,000), which was satisfied by the promissory notes with an aggregate principal amount of HK\$63,750,000 payable by the Company. Platinum Plus, through its wholly-owned subsidiaries, is engaged in the provision of internet online services in the PRC relating to product sales and marketing and web maintenance.

39. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 March 2015 (continued)

The acquisitions have been accounted for by business combination using the acquisition method. The effect of the acquisitions is summarised as follows:

Consideration transferred

	Asian Champion HK\$'000	Platinum Plus HK\$'000	Total HK\$'000
Consideration paid by issue of promissory notes, at fair value	58,000	63,750	121,750

Acquisition-related costs amounting to approximately HK\$1,516,000 (Asian Champion: HK\$599,000 and Platinum Plus: HK\$917,000) have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the “administrative expenses” line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	Asian Champion HK\$'000	Platinum Plus HK\$'000	Total HK\$'000
Non-current assets			
Property, plant and equipment	–	876	876
Current assets			
Trade and bills receivables	1,000	158	1,158
Other receivables, prepayments and deposits paid	1	89	90
Bank balances and cash	21	188	209
Current liabilities			
Trade and bills payables	(344)	–	(344)
Other payables and accruals	(2,014)	(1,309)	(3,323)
	<u>(1,336)</u>	<u>2</u>	<u>(1,334)</u>

The receivables acquired in these transactions had gross amount of HK\$1,158,000. No contractual cash flows from these receivables are expected not to be collected.

39. ACQUISITION OF SUBSIDIARIES (continued)

Goodwill arising on acquisition

	Asian Champion HK\$'000	Platinum Plus HK\$'000	Total HK\$'000
Consideration attributable to acquisition	58,000	63,750	121,750
Net liabilities assumed/(assets acquired)	1,336	(2)	1,334
Non-controlling interests	(133)	–	(133)
	<u>59,203</u>	<u>63,748</u>	<u>122,951</u>
Goodwill arising on acquisition	<u>59,203</u>	<u>63,748</u>	<u>122,951</u>

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow on acquisition of subsidiaries

	Asian Champion HK\$'000	Platinum Plus HK\$'000	Total HK\$'000
Bank balance and acquired of	<u>21</u>	<u>188</u>	<u>209</u>
Net cash inflow on acquisition of subsidiaries	<u>21</u>	<u>188</u>	<u>209</u>

Impact of acquisitions on the results of the Group

Included in the loss for the year ended 31 March 2015 is profit of HK\$4,267,000 and HK\$149,000 attributable to the businesses undertaken by Asian Champion and Platinum Plus respectively. Revenue for the year ended 31 March 2015 includes HK\$10,822,000 and HK\$423,000 in respect of Asian Champion and Platinum Plus respectively.

Had these business combinations been effected at 1 April 2014, the revenue of the Group from continuing operations would have been HK\$54,488,000, and the loss for the year from continuing operations would have been HK\$151,334,000. The directors of the Company consider these “pro-forma” numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

In determining the “pro-forma” revenue and loss of the Group had Asian Champion and Platinum Plus been acquired at the beginning of the last year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

40. DISPOSAL OF SUBSIDIARIES

On 4 February 2016, the Group disposed of its 100% equity interests in Asian Champion which, through its 90% equity owned subsidiary, is engaged in the provision of internet online services in Hong Kong relating to product sales and marketing and web maintenance to independent third party at an aggregate cash consideration of HK\$58,000,000. Further details of the disposal are set out in the circular of the Company dated 14 January 2016.

Consideration received and receivable

	2016 HK\$'000
Consideration received in cash	40,000
Consideration receivable in cash	18,000
	<hr/>
	58,000

Analysis of assets and liabilities at the date of disposal over which control was lost

	2016 HK\$'000
Non-current assets	
Goodwill	57,283
Current assets	
Trade and bills receivable	6,091
Other receivables, prepayments and deposits paid	1
Bank balances and cash	3,364
	<hr/>
	9,456
Current liabilities	
Trade and bills payables	(2,565)
Other payables and accruals	(2,321)
Income tax payables	(716)
	<hr/>
	(5,602)
Net assets disposed of	<hr/> 61,137

Gain on disposal of subsidiaries

	2016 HK\$'000
Consideration received and receivable	58,000
Net assets disposed of	(61,137)
Non-controlling interests	384
	<hr/>
Loss on disposal of subsidiaries	(2,753)

40. DISPOSAL OF SUBSIDIARIES (continued)

Net cash inflow on disposal of subsidiaries

Cash consideration received in the year
Less: Bank balances and cash disposed of

Net cash inflow on disposal of subsidiaries

2016
HK\$'000

40,000

(3,364)

36,636

41. CHANGES IN NON-CONTROLLING INTEREST WITHOUT CHANGE IN CONTROL

Major changes in non-controlling interest are as follows:

For the year ended 31 March 2016

During the year, the Company, acquired an aggregate of 40 shares in Ideal Market from third party vendors at an aggregate consideration of HK\$25,358,000. As a result, the Group's effective ownership in Ideal Market increased from 80.00% as at 31 March 2015 to approximately 93.33% as at 31 March 2016. The Group recognised an increase in non-controlling interests of HK\$4,887,000 and a decrease in retained profits of HK\$30,245,000.

42. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2016, the Group acquired 100% equity interests in Elite Honest for consideration of HK\$30,000,000 which were satisfied by the promissory notes issued by the Company, details of which are set out in Note 29(F).
- (b) During the year ended 31 March 2016, the Group acquired 39.41% equity interests in Pure Power for consideration of HK\$163,000,000, which were satisfied by the promissory notes issued by the Company, details of which are set out in Note 30(g).

43. PLEDGE OF ASSETS

At the end of the reporting date, the Group had restricted deposits amounted to HK\$ Nil (2015: HK\$5,877,000) which were placed with a bank to secure bills issued by the Group which remained unsettled at that date.

44. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel of the Group, who were the directors of the Company, are as follows:

	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	3,029	3,318
Post-employment benefits	18	28
Total compensation paid to key management personnel	3,047	3,346

The remuneration of directors is determined by the Remuneration Committee and having regard to the performance of individuals and market trends.

Further details of directors' emoluments are included in Note 11.

45. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group reviews the capital structure periodically. As a part of this review, the Group considers costs of capital, its bank covenant obligations and the risks associated with issued share capital and may adjust its overall capital structure through the drawn down of bank borrowings, the repayment of existing borrowings or the adjustment of dividend to shareholders.

The capital structure of the Group consists of net debt and equity attributable to owners of the Company. Net debt includes trade and bills payables, other payables and accruals, promissory notes payable, bank and other borrowings, financial liabilities designated at FVTPL, unconvertible bonds less the aggregate of restricted bank deposits, cash deposits held by securities brokers and bank balances and cash. Equity attributable to owners of the Company includes issued share capital and reserves.

During the year ended 31 March 2016, the Group's strategy, which was unchanged from prior year, was to maintain the debt equity ratio to be in a net cash position. The net debts as at 31 March 2016 and 2015 were as follows:

	2016	2015
	HK\$'000	HK\$'000
Trade and bills payables	335	7,064
Other payables and accruals	54,960	41,944
Promissory notes payable	132,670	201,902
Bank and other borrowings	–	23,759
Financial liabilities designated at FVTPL	–	1,933
Unconvertible bonds	20,434	20,297
Less: Restricted bank deposits, cash deposits held by securities brokers and bank balances and cash	(22,773)	(256,781)
Net debt	185,626	40,118
Equity attributable to owners of the Group	1,100,364	582,248
Capital and net debt	1,285,990	622,366
Gearing ratio	14%	6%

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amount of the Group's financial assets and liabilities as recognised at the end of each reporting period are categorised as follows:

	2016	2015
	HK\$'000	HK\$'000
Financial assets		
Available-for-sale investments	835,517	274,248
Loan and receivables		
Trade and bills receivables	3,263	16,795
Loan and interest receivables	44,427	–
Other receivables and deposits paid	22,952	14,415
Restricted bank deposits	–	5,877
Cash deposits held by securities brokers	7	36,574
Bank balances and cash	22,766	214,330
	928,932	562,239
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables	335	7,064
Other payables and accruals	54,960	41,944
Promissory notes payable	132,670	201,902
Bank and other borrowings	–	23,759
Unconvertible bonds	20,434	20,297
	208,399	294,966
Financial liabilities designated at FVTPL		
Convertible notes	–	1,933
	208,399	296,899

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and bills receivables, other receivables and deposits paid, restricted bank deposits, cash deposits held by securities brokers, bank balances and cash, trade and bills payables, other payables and accruals, promissory notes payable, bank and other borrowings, financial liabilities designated at FVTPL, and unconvertible bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group does not enter into trade derivative instruments for speculative purposes. There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cash flows. Management considers that the Group is not exposed to significant foreign currency risk as the majority of its operations are transacted in Hong Kong and the PRC with their functional currency of HK\$ and RMB.

For the two years ended 31 March 2016 and 2015, the Group mainly earned revenue in HK\$ and RMB and incurred costs in HK\$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it manages its currency exposure by ensuring that the revenue earned in RMB are used to pay for RMB denominated costs. Funds raised from financing activities which are mainly in HK\$ are used to pay for HK\$ expenses.

The monetary assets and monetary liabilities of the Group at the end of reporting date denominated in currencies other than functional currencies of the related entities are as follows:

	2016 HK\$'000	2015 HK\$'000
Assets		
HK\$	–	211,692
USD	573	–
Euro	80	–
	<hr/> 653 <hr/>	<hr/> 211,692 <hr/>
Liabilities		
HK\$	–	224,908
USD	17	–
Euro	–	–
	<hr/> 17 <hr/>	<hr/> 224,908 <hr/>

46. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's loss after income tax expense in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances of assets and liabilities of the group entities where the denomination of these balances is in a currency other than the functional currencies of these entities. A positive number below indicates a decrease in loss for the year where the functional currency strengthens against the relevant currency. For a weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the loss for the year, and the balances below would be negative.

	2016 HK\$'000	2015 HK\$'000
HK\$		
Sensitivity rate	5%	5%
Profit or loss	–	661

At 31 March 2016, foreign currency risk on financial assets and liabilities denominated in USD and Euro were insignificant to the Group.

(ii) Other price risks

The Group is exposed to equity price risk mainly through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on similar equity securities quoted on the Hong Kong Stock Exchange.

Equity price sensitivity analysis

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

If equity prices has been 5% higher/lower (2015: 5%), other comprehensive income for the year ended 31 March 2016 would increase/decrease by HK\$40,245,000 (2015: HK\$5,326,000) as a result of the changes in fair value of available-for-sale investments.

46. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(iii) Fair value and cash flow interest rate risk

The Group has loan receivables, restricted bank deposits, cash deposits held by securities brokers, bank balances, bills payable, bank borrowings, promissory notes payable, convertible notes and unconvertible bonds which bear interest and are therefore exposed to interest rate risk. Restricted bank deposits, cash deposits held by securities brokers, bank balances and bank borrowings bearing at variable rates expose the Group to cash flow interest-rate risk. Loan receivables, promissory notes payable, convertible notes, unconvertible bonds and other borrowings bearing at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

Assuming the restricted bank deposits, cash deposits held by securities brokers, bank balances and bank borrowings with variable rates outstanding at the end of the reporting period were outstanding for the whole year if interest rates had increased by 100 basis points (2015: 100 basis points) and all other variables held constant, there was a decrease in post-tax loss by approximately HK\$228,000 (2015: an decrease by HK\$338,000). If interest rates had decreased by 100 basis points (2015: 100 basis points), there would be an equal but opposite impact on the results for the year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Credit risk

The carrying amounts of the trade and other receivables and loan and interest receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk. The Group manages the credit risk by setting up a team responsible for the determination of credit terms, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, it is the Group's policy to review regularly the recoverable amount of trade and other receivables and loan and interest receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. Trade receivables consist of a number of customers, spread across diverse industries and geographical areas.

As at 31 March 2016, the Group has concentration of credit risk as 32% (2015: 39%) and 96% (2015: 52%) of the total trade and bills receivables were due from the Group's largest and the five largest customers respectively.

As at 31 March 2016, the Group has concentration of credit risk as 54% (2015: Nil) of the total loan and interest receivables were due from the Group's largest customer.

46. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

At 31 March 2016, the Group has also significant concentration of credit risk arising from the advances to staff and a PRC individual with the carrying amounts of HK\$ Nil (2015: HK\$1,969,000) and HK\$ Nil (2015: HK\$6,000,000) respectively included in other receivables (Note 25) and cash deposits of HK\$7,000 (2015: HK\$36,574,000) held by securities brokers (Note 26).

The credit risk on liquid funds of bank deposits is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorised banks in the PRC.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and longer term.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of an adequate amount of committed credit facilities. Management aims to maintain flexibility in funding by keeping credit lines available.

The following table details the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay. 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 tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity is managed on a net asset and liability basis.

The amounts included below for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at end of the reporting period.

46. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

	Within 3 months or on demand HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2016					
Non-derivative financial assets					
Available-for-sale investments	-	-	835,517	835,517	835,517
Trade and bills receivables	3,263	-	-	3,263	3,263
Loan and interest receivables	-	50,805	-	50,805	44,427
Other receivables and deposits paid	22,952	-	-	22,952	22,952
Restricted bank deposits	-	-	-	-	-
Cash deposits held by securities brokers	7	-	-	7	7
Bank balances and cash	22,766	-	-	22,766	22,766
	<u>48,988</u>	<u>50,805</u>	<u>835,517</u>	<u>935,310</u>	<u>928,932</u>
Non-derivative financial liabilities					
Trade and bills payables	335	-	-	335	335
Other payables and accruals	54,960	-	-	54,960	54,960
Promissory notes payable	-	108,000	34,800	142,800	132,670
Bank and other borrowings	-	-	-	-	-
Unconvertible bonds	-	1,000	20,771	21,771	20,434
	<u>55,295</u>	<u>109,000</u>	<u>55,571</u>	<u>219,866</u>	<u>208,399</u>
Derivative financial liabilities					
Financial liabilities designated at FVTPL (Note)	-	-	-	-	-
As at 31 March 2015					
Non-derivative financial assets					
Available-for-sale investments	-	-	274,248	274,248	274,248
Trade and bills receivables	16,795	-	-	16,795	16,795
Other receivables and deposits paid	14,415	-	-	14,415	14,415
Restricted bank deposits	1,260	4,674	-	5,934	5,877
Cash deposits held by securities brokers	36,575	-	-	36,575	36,574
Bank balances and cash	214,518	-	-	214,518	214,330
	<u>283,563</u>	<u>4,674</u>	<u>274,248</u>	<u>562,485</u>	<u>562,239</u>
Non-derivative financial liabilities					
Trade and bills payables	7,064	-	-	7,064	7,064
Other payables and accruals	41,944	-	-	41,944	41,944
Promissory notes payable	138,056	68,850	-	206,906	201,902
Bank and other borrowings	16,211	8,196	-	24,407	23,759
Unconvertible bonds	-	1,000	21,771	22,771	20,297
	<u>203,275</u>	<u>78,046</u>	<u>21,771</u>	<u>303,092</u>	<u>294,966</u>
Derivative financial liabilities					
Financial liabilities designated at FVTPL (Note)	1,944	-	-	1,944	1,933

Note: It represents the principal amount of the convertible notes together with interests thereon which will be payable by the Company on redemption of the note upon its maturity on the assumption that there are no redemption or conversion of the convertible notes (classified as financial liabilities designated at FVTPL) before its maturity date.

46. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement

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

Included in the Group's financial assets and financial liabilities are listed available-for-sale investments and the convertible bonds designated at FVTPL which are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, in particular, the valuation technique(s) and input used.

	Fair value as at 31 March		Fair value hierarchy	Valuation technical(s) and key input
	2016 HK\$'000	2015 HK\$'000		
Financial assets				
Listed available-for-sale investments (Note 21)	804,907	127,586	Level 1	Quoted bid prices in an active market
Financial liabilities				
Financial liabilities designated at FVTPL (Note 32)	-	1,933	Level 2	Binomial pricing model (Note 32)

There were no transfer of the financial liabilities between the levels in both of the years presented.

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

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

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

The financial assets and financial liabilities at FVTPL are measured at fair value on Level 1 and Level 2 fair value measurement respectively. Reconciliation of Level 3 fair value measurements is not presented.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investments in subsidiaries	a	91,894	273,673
Interest in an associate		204,358	–
Available-for-sale investments		362,739	182,898
		<u>658,991</u>	<u>456,571</u>
Current assets			
Other receivables, prepayments and deposits paid		22,680	–
Amounts due from subsidiaries	b	360,596	76,138
Cash deposits held by securities brokers		2	1,170
Bank balances and cash		21,934	210,519
		<u>405,212</u>	<u>287,827</u>
Assets classified as held for sale		149,200	65,092
		<u>554,412</u>	<u>352,919</u>
Current liabilities			
Other payables and accruals		53,232	1,640
Amounts due to subsidiaries	b	17,858	–
Promissory notes payable		101,381	201,902
Financial liabilities designated at fair value through profit or loss		–	1,933
		<u>172,471</u>	<u>205,475</u>
Liabilities directly associated with assets classified as held for sale		–	20,600
		<u>172,471</u>	<u>226,075</u>
Net current assets		<u>381,941</u>	<u>126,844</u>
		<u>1,040,932</u>	<u>583,415</u>

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

	Notes	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital		37,423	26,023
Share premium and reserves	c	951,786	534,279
		<u>989,209</u>	<u>560,302</u>
Non-current liabilities			
Unconvertible bonds		20,434	20,297
Promissory notes		31,289	–
Deferred tax liabilities		–	2,816
		<u>51,723</u>	<u>23,113</u>
		<u>1,040,932</u>	<u>583,415</u>

(a) Investments in subsidiaries

	2016 HK\$'000	2015 HK\$'000
Unlisted investments, at cost	93,673	733,184
Less: Impairment losses recognised	(1,779)	(459,511)
	<u>91,894</u>	<u>273,673</u>

(b) Amount due from/(to) subsidiaries

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

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

(c) Share premium and reserves

	Share premium HK\$'000	Contributed surplus HK\$'000 (Note)	Investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2014	1,931,981	62,604	-	4,566	464	(1,847,963)	151,652
Loss for the year	-	-	-	-	-	(109,571)	(109,571)
Other comprehensive (expense)/income							
Exchange difference arising on translation of foreign operations	-	-	-	(28)	-	-	(28)
Increase in fair value of available-for-sale investments, net of income tax	-	-	19,481	-	-	-	19,481
Total comprehensive income/(expense) for the year	-	-	19,481	(28)	-	(109,571)	(90,118)
Issue of shares upon placement of shares	50,494	-	-	-	-	-	50,494
Issue of shares upon rights issue	427,932	-	-	-	-	-	427,932
Share issue expenses	(5,681)	-	-	-	-	-	(5,681)
At 31 March 2015 and 1 April 2015	2,404,726	62,604	19,481	4,538	464	(1,957,534)	534,279
Loss for the year	-	-	-	-	-	(76,986)	(76,986)
Other comprehensive (expense)/income							
Exchange difference arising on translation of foreign operations	-	-	-	(4,700)	-	-	(4,700)
Reclassification adjustments upon disposal of available-for-sale investments	-	-	-	2,350	-	-	2,350
Increase in fair value of available-for-sale investments, net of income tax	-	-	303,016	-	-	-	303,016
Reclassification adjustments for gains on disposal included in profit or loss	-	-	(2,650)	-	-	-	(2,650)
Total comprehensive income/(expense) for the year	-	-	300,366	(2,350)	-	(76,986)	221,030
Issue of shares upon placement of shares	199,080	-	-	-	-	-	199,080
Share issue expenses	(2,603)	-	-	-	-	-	(2,603)
At 31 March 2016	2,601,203	62,604	319,847	2,188	464	(2,035,520)	951,786

Note: The contributed surplus of the Company at 31 March 2016 and 31 March 2015 represents the excess of the fair value of the subsidiaries acquired pursuant to the reorganisation in 1994, over the nominal value of the Company's shares issued for their acquisition. Under the Companies Act of Bermuda, the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital.

48. SUBSIDIARIES

Details of the Group's principal subsidiaries at the end of the reporting period:

Name of company	Place of incorporation/ establishment	Class of share held	Issued share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held		Principal activities
				Directly		Indirectly		2016 %	2015 %	
				2016 %	2015 %	2016 %	2015 %			
Golden Fair Holdings Limited	Hong Kong	Ordinary shares	HK\$1	100	100	-	-	100	100	Investment holding
Gold Castle Group Limited	BVI	Ordinary shares	US\$1	100	100	-	-	100	100	Investment holding
Ideal Market	BVI	Ordinary shares	US\$300	93	80	-	-	93	80	Investment holding
Long Great International Limited	Hong Kong	Ordinary shares	HK\$1	-	-	100	100	100	100	Investment holding
Greenland Holdings Limited	Hong Kong	Ordinary shares	HK\$1	-	-	100	100	100	100	Investment holding
Topbright International Group Holdings Limited	Hong Kong	Ordinary shares	HK\$1	-	-	93	80	93	80	Investment holding
Xiangshan Gaoming Environmental Protection Technology Limited ¹	PRC	Registered capital	US\$100,000	-	-	93	80	93	80	Investment holding
Suzhou Baina Renewable Resources Yancheng Co., Ltd ²	PRC	Registered capital	RMB1,876,640	-	-	93	80	93	80	Waste paper, scrap metals and consumable wastes recycling
Huainan Bai Run Renewable Resources Co., Ltd ²	PRC	Registered capital	RMB1,000,000	-	-	93	80	93	80	Waste paper, scrap metals and consumable wastes recycling
Suzhou Baina Renewable Resources Co., Ltd ²	PRC	Registered capital	RMB10,000,000	-	-	93	80	93	80	Waste paper, scrap metals and consumable wastes recycling and trading of petrochemical products
Asian Champion	BVI	Ordinary shares	US\$50,000	-	100	-	-	-	100	Investment holding
HKOMall Limited	Hong Kong	Ordinary shares	HK\$10,000	-	-	-	90	-	90	Provision of internet online services relating to product sales and marketing and web maintenance
Platinum Plus	BVI	Ordinary shares	US\$100	100	100	-	-	100	100	Investment holding
Ritz Healthcare Management Services (HK) Limited	Hong Kong	Ordinary shares	HK\$1	-	-	100	100	100	100	Investment holding
Ritz Trading (Shanghai) Co., Ltd. ¹	PRC	Registered capital	HK\$1,000,000	-	-	100	100	100	100	Provision of internet online services relating to product sales and marketing and web maintenance
Orient Time Investment Limited	Hong Kong	Ordinary shares	HK\$1	100	100	-	-	100	100	Securities investment
Great Luck	Hong Kong	Ordinary shares	HK\$1	-	-	100	-	100	-	Provision of loan as money lending
Elite Honest	BVI	Ordinary shares	US\$1	100	-	-	-	100	-	Investment holding
H & S Creation Ltd	Hong Kong	Ordinary shares	HK\$100	-	-	100	-	100	-	Trading of gold and diamond

48. SUBSIDIARIES (continued)

Notes:

- ¹ The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC laws
- ² The subsidiaries are registered as limited liability enterprises under the PRC laws

Except for Ideal Market, Asian Champion and Platinum Plus, which are operating in Hong Kong, all of the places of operations of the subsidiaries are the same as their places of incorporation/registration.

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

Name of company	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ideal Market	(Note a)	7	20	(919)	(3,713)	(2,472)	(6,841)
HKOMall Limited ("HKOMall")	(Note b)	-	10	91	427	-	293
				(828)	(3,286)	(2,472)	(6,548)

Notes:

- a) Ideal Market was incorporated in the BVI and, through its subsidiaries, is principally engaged in waste paper, scrap metals and consumable wastes recycling and trading of petrochemical products in the PRC.
- b) HKOMall was incorporated in Hong Kong and is principally engaged in the provision of internet online services relating to product sales and marketing and web maintenance.

Summarised financial information in respect of each of the Group's subsidiaries at 31 March 2016 that has material non-controlling interests is set out below. The summarised financial information below represents amount before intergroup eliminations.

48. SUBSIDIARIES (continued)

(a) Ideal Market

	31 March 2016 HK\$'000	31 March 2015 HK\$'000
Current assets	40,567	21,137
Non-current assets	28,453	34,678
Current liabilities	(100,357)	(82,894)
Non-current liabilities	(5,743)	(7,126)
Equity attributable to owners of the Company	(34,608)	(27,364)
Non-controlling interests	(2,472)	(6,841)

48. SUBSIDIARIES (continued)

(a) **Ideal Market** (continued)

	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2015 HK\$'000
Revenue	<u>25,540</u>	<u>41,465</u>
Expenses	<u>(31,713)</u>	<u>(60,030)</u>
Loss for the year	<u>(6,173)</u>	<u>(18,565)</u>
Loss attributable to:		
– owners of the Company	<u>(5,254)</u>	<u>(14,852)</u>
– non-controlling interests	<u>(919)</u>	<u>(3,713)</u>
Loss for the year	<u>(6,173)</u>	<u>(18,565)</u>
Total comprehensive expense attributable to:		
– owners of the Company	<u>(4,220)</u>	<u>(14,874)</u>
– non-controlling interests	<u>(518)</u>	<u>(3,718)</u>
Total comprehensive expense for the year	<u>(4,738)</u>	<u>(18,592)</u>
Net cash outflow from operating activities	<u>(2,548)</u>	<u>(22,330)</u>
Net cash inflow from investing activities	<u>3,421</u>	<u>6,087</u>
Net cash (outflow)/inflow from financing activities	<u>(2,181)</u>	<u>15,894</u>
Net cash outflow	<u>(1,308)</u>	<u>(349)</u>

48. SUBSIDIARIES (continued)

(b) HKOMall

	31 March 2016 HK\$'000	31 March 2015 HK\$'000
Current assets	–	11,817
Current liabilities	–	(8,886)
Equity attributable to owners of the Company	–	2,638
Non-controlling interests	–	293
	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2015 HK\$'000
Revenue	6,826	10,822
Expenses	(5,916)	(6,555)
Profit for the year	910	4,267
Profit attributable to:		
– owners of the Company	819	3,840
– non-controlling interests	91	427
Profit for the year	910	4,267
Total comprehensive income attributable to:		
– owners of the Company	819	3,840
– non-controlling interests	91	427
Total comprehensive income for the year	910	4,267
Net cash outflow from operating activities	3,365	(21)
Net cash outflow from financing activities	(1)	–
Net cash outflow	3,364	(21)

49. LITIGATION

In July 2013, a writ of summons was issued by a third party, First Federal Capital Limited (“FDCL”), to the Company claiming for (i) the registration of transfer of the promissory note with the principal amount of HK\$5,000,000, which was issued by the Company to All Prosper Group Limited (the “Note Holder”), from the Note Holder to FFCL and (ii) the repayment of the promissory note together with interests and costs.

In August 2015, the High Court had approved the consent summons (the “Consent Summons”) for settlement. Pursuant to the Consent Summons, (i) the Company had to make the payment of approximately HK\$5,721,000 (with its breakdown of HK\$5,000,000 being the principal sum stated in promissory note together with the outstanding interest of approximately HK\$721,000); (ii) all FDCL’s claims and allegations in this action against the Company shall be withdrawn and discontinued; (iii) there be no order as to the costs in respect of the dispute(s) between FDCL and the Company in this action; and (iv) there be no order as to the costs in respect of the Consent Summons application.

The Company had made the payment of the Sum to the Court on 31 August 2015.

50. EVENTS AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in the consolidated financial statements, the following events took place subsequent to the end of the reporting period:

- (a) On 6 April 2016 and 16 May 2016, Great Luck entered into the loan agreement with each of independent third parties, pursuant to which Great Luck agreed to lend to each of independent third parties a term loan in the principal amount of HK\$19,000,000 and HK\$15,000,000 respectively repayable on the date falling on the 12 months from drawdown date. Please refer to announcements dated 6 April 2016 and 16 May 2016 for detail.
- (b) On 19 May 2016, the Company entered into the conditional sale and purchase agreement (the “SPA”) with an independent third party, pursuant to which the Company has conditionally agreed to sell and an independent third party has conditionally agreed to acquire approximately 93.33% of the equity interest of the Ideal Market at consideration of HK\$150,000,000.

For satisfying conditions precedent set out in the SPA, the circular was issued to the Company’s shareholders on 22 June 2016 and special general meeting will be held on 12 July 2016 in relation to obtain approval by the Company’s shareholders for the SPA and transactions contemplated thereunder.

Please refer to announcement dated 19 May 2016 and circular dated 22 June 2016 for detail.