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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this Response Document or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Wealth Glory Holdings Limited, you should at once hand this Response Document to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**WEALTH GLORY HOLDINGS LIMITED**

**富譽控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8269)**

**RESPONSE DOCUMENT RELATING TO  
THE VOLUNTARY CONDITIONAL CASH OFFERS BY  
KINGSTON SECURITIES ON BEHALF OF MR. DONG BO FREDERIC  
TO ACQUIRE ALL ISSUED SHARES AND  
ALL OUTSTANDING WARRANTS OF  
WEALTH GLORY HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY ACQUIRED OR  
AGREED TO BE ACQUIRED BY MR. DONG BO FREDERIC AND  
PARTIES ACTING IN CONCERT WITH HIM) AND  
FOR CANCELLATION OF ALL OUTSTANDING OPTIONS OF  
WEALTH GLORY HOLDINGS LIMITED**



**BaoQiao Partners Capital Limited**

**Independent Financial Adviser to the Independent Board Committee**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Response Document.

A letter from the Board is set out on pages 5 to 11 of this Response Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders and the Optionholders is set out on pages 12 to 13 of this Response Document. A letter from BaoQiao Partners Capital Limited containing its advice in respect of the Offers to the Independent Board Committee, the Independent Shareholders and the Optionholders is set out on pages 14 to 33 of this Response Document.

The Response Document will remain on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.wealthglory.com](http://www.wealthglory.com) as long as the Offers remain open.

19 September 2016

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## DEFINITIONS

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*In this Response Document, the following terms and expressions shall have the following meanings, unless the context otherwise requires:*

<b>“acting in concert”</b>	has the meaning ascribed to it under the Takeovers Code
<b>“associate(s)”</b>	has the meaning ascribed to it under the Takeovers Code
<b>“BLUE Form of Acceptance”</b>	the form of acceptance and cancellation of outstanding of Options in BLUE in respect of the Option Offer which accompanies the Offer Document
<b>“Board”</b>	the board of Directors
<b>“Business Day(s)”</b>	a day on which the Stock Exchange is open for the business of dealing in securities
<b>“Closing Date”</b>	the First Closing Date or, if the Offers are extended, any subsequent closing date of the Offers in accordance with the Takeovers Code
<b>“Company”</b>	Wealth Glory Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8269)
<b>“connected person(s)”</b>	has the meaning ascribed to it in the GEM Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company from time to time
<b>“Executive”</b>	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate
<b>“First Closing Date”</b>	30 September 2016, being the first closing date of the Offers (or such later date as may be determined and announced by the Offeror in accordance with the Takeovers Code)
<b>“Forms of Acceptance”</b>	the WHITE Form of Acceptance, BLUE Form of Acceptance and YELLOW Form of Acceptance which accompany this Offer Document
<b>“GEM”</b>	the Growth Enterprise Market of the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on GEM
<b>“Group”</b>	the Company and its subsidiaries

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## DEFINITIONS

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<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	The Hong Kong Special Administrative Region of the PRC
<b>“INCU”</b>	INCU Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the joint financial adviser to the Offeror in respect of the Offers
<b>“Independent Board Committee”</b>	the independent board committee of the Company comprising all of the non-executive Directors and independent non-executive Directors, formed for the purpose of advising the Independent Shareholders and the Optionholders in respect of the Offers
<b>“Independent Financial Adviser” or “BaoQiao Partners”</b>	BaoQiao Partners Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advisory on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the Offers
<b>“Independent Shareholders”</b>	Shareholders, other than the Offeror and parties acting in concert with him
<b>“Kingston Securities”</b>	Kingston Securities Limited, a corporation licensed by the SFC to carry out business in Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offers on behalf of the Offeror
<b>“Kingston Corporate Finance”</b>	Kingston Corporate Finance Limited, a corporation licensed by the SFC to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the joint financial adviser to the Offeror in respect of the Offers
<b>“Last Trading Day”</b>	8 August 2016, being the last full trading day of the Shares on the Stock Exchange before the publication of the Offer Announcement
<b>“Latest Practicable Date”</b>	15 September 2016, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
<b>“Offer Announcement”</b>	the offer announcement made by the Offeror on 12 August 2016 in relation to, among other things, the Offers

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## DEFINITIONS

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<b>“Offer Document”</b>	the offer document dated 2 September 2016 issued by the Offeror to all Shareholders, Warranholders and Optionholders in connection with the Offers in accordance with the Takeovers Code containing, among others, information relating to the Offeror, the terms and conditions of the Offers, together with the Forms of Acceptance
<b>“Offer Period”</b>	commencing from 12 August 2016, being the date of the Offer Announcement and ending on the Closing Date
<b>“Offer Share(s)”</b>	Share(s) not already owned or agreed to be acquired by the Offeror and parties acting in concert with him
<b>“Offeror” or “Mr. Dong”</b>	Mr. Dong Bo Frederic
<b>“Offers”</b>	collectively, the Share Offer, the Option Offer and the Warrant Offer
<b>“Option(s)”</b>	the outstanding option(s) granted by the Company pursuant to the Share Option Scheme
<b>“Option Offer”</b>	the offer to be made by Kingston Securities on behalf of the Offeror in compliance with Rule 13 of the Takeovers Code for cancellation of all the outstanding Options in accordance with the terms and conditions set out in the Offer Document and the BLUE Form of Acceptance
<b>“Optionholder(s)”</b>	the holder(s) of the Options
<b>“PRC”</b>	the People’s Republic of China, which for the purpose of this Response Document, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
<b>“Relevant Period”</b>	the period from 12 February 2016 (being the date falling six months prior to 12 August 2016, the date of the Offer Announcement) and up to and including the Latest Practicable Date
<b>“Response Document”</b>	this response document dated 19 September 2016 in relation to the Offers issued by the Company to the Independent Shareholders and the Optionholders in accordance with the Takeovers Code
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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<b>“Share(s)”</b>	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Share Offer”</b>	the voluntary conditional cash offer to be made by Kingston Securities on behalf of the Offeror for all Offer Shares in accordance with the Takeovers Code on the terms and conditions set out in the Offer Document and the WHITE Form of Acceptance
<b>“Share Offer Price”</b>	the price of HK\$0.042 per Offer Share payable by the Offeror to the Shareholders for each Offer Share tendered under the Share Offer
<b>“Share Option Scheme”</b>	the share option scheme adopted by the Company on 26 September 2010, as amended from time to time
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Takeovers Code”</b>	the Hong Kong Code on Takeovers and Mergers
<b>“Trading Halt”</b>	the halt of trading in the Shares effective at 1:04 p.m. on 9 August 2016
<b>“Warrants”</b>	the unlisted warrants issued by the Company on 6 September 2013
<b>“Warrant Offer”</b>	the offer to be made by Kingston Securities on behalf of the Offeror in compliance with Rule 13 of the Takeovers Code for all the outstanding Warrants in accordance with the terms and conditions set out in the Offer Document and the YELLOW Form of Acceptance
<b>“Warrantholder(s)”</b>	the registered holder(s) of the Warrants
<b>“WHITE Form of Acceptance”</b>	the form of acceptance and transfer of the Offer Shares in WHITE in respect of the Share Offer which accompanies the Offer Document
<b>“YELLOW Form of Acceptance”</b>	the form of acceptance and transfer of the Warrants in YELLOW in respect of the Warrant Offer which accompanies the Offer Document
<b>“%”</b>	per cent.

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## LETTER FROM THE BOARD

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# WEALTH GLORY HOLDINGS LIMITED

富譽控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8269)**

*Executive Director*

Mr. Hong Sze Lung

*Non-executive Directors*

Mr. Lau Wan Pui, Joseph

Mr. Law Chung Lam, Nelson

*Independent non-executive Directors*

Mr. Tam Chak Chi

Mr. Chow Chi Fai

*Registered Office*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business*

17/F., No. 8 Wyndham Street, Central

Hong Kong

19 September 2016

*To the Independent Shareholders and the Optionholders*

Dear Sir or Madam,

**THE VOLUNTARY CONDITIONAL CASH OFFERS BY  
KINGSTON SECURITIES ON BEHALF OF MR. DONG BO FREDERIC  
TO ACQUIRE ALL ISSUED SHARES AND  
ALL OUTSTANDING WARRANTS OF  
WEALTH GLORY HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY ACQUIRED OR  
AGREED TO BE ACQUIRED BY MR. DONG BO FREDERIC AND  
PARTIES ACTING IN CONCERT WITH HIM) AND  
FOR CANCELLATION OF ALL OUTSTANDING OPTIONS OF  
WEALTH GLORY HOLDINGS LIMITED**

### INTRODUCTION

The Board has received a letter from Kingston Securities on 9 August 2016 notifying the Board that Kingston Securities, on behalf of the Offeror, would make voluntary conditional cash offers to acquire all the issued Shares and all outstanding Warrants in the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him) at the Share Offer Price of HK\$0.042 per Offer Share, and to cancel all outstanding Options in compliance with Rule 13.5 of the Takeovers Code.

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## LETTER FROM THE BOARD

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On 12 August 2016, the Offeror published the Offer Announcement setting out details of the Offers and the information and intention of the Offeror.

On 2 September 2016, the Offeror despatched the Offer Document.

On 6 September 2016, the Company announced that all Warrants expired after their expiry date of 6 September 2016.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group, the Offers, the recommendation from the Independent Board Committee to the Independent Shareholders and the Optionholders in respect of the Offers and the advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offers.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all of the independent non-executive Directors, namely, Mr. Tam Chak Chi and Mr. Chow Chi Fai and non-executive Directors, namely Mr. Lau Wan Pui, Joseph and Mr. Law Chung Lam, Nelson, has been established to give recommendation (i) as to whether or not the Offers are fair and reasonable and (ii) as to the acceptance of the Offers. Each member of the Independent Board Committee has confirmed to the Company that, save for his interests in Options as disclosed in Appendix II to this Response Document, he has not involved in the Offers, and has no direct or indirect interest in the Offers.

As disclosed in the announcement of the Company dated 26 August 2016, BaoQiao Partners has been appointed as the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Optionholders in respect of the Offers. The appointment of BaoQiao Partners by the Company has been approved by the Independent Board Committee. The letter of advice from BaoQiao Partners addressed to the Independent Board Committee is set out on pages 14 to 33 of this Response Document.

**You are advised to read this Response Document, the recommendation of the Independent Board Committee and the letter from BaoQiao Partners in conjunction with the Offer Document carefully before taking any action in respect of the Offers.**

### **THE OFFERS**

There were 4,108,716,000 Shares in issue, and 287,732,536 outstanding Options to subscribe up to 287,732,536 Shares as at the Latest Practicable Date.

As noted from the Offer Document, the Offeror and parties acting in concert with him hold 88,800,000 Shares, representing approximately 2.16% of the issued share capital of the Company.

The terms of the Offers as set out in the Offer Document are briefly set out below. You are recommended to refer to the Offer Document and the Forms of Acceptance for further details.



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## LETTER FROM THE BOARD

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### Principal terms of the Offers

Kingston Securities, on behalf of the Offeror, is making the Offers to acquire all the issued Shares and all outstanding Warrants (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him), and to cancel all outstanding Options in compliance with Rule 13.5 of the Takeovers Code on the following basis:

#### Share Offer:

For each Offer Share.....HK\$0.042 in cash

#### Option Offer:

For cancellation of each outstanding Option.....HK\$0.001 in cash

#### Warrant Offer:

For each outstanding Warrant .....HK\$0.001 in cash

The Share Offer Price of HK\$0.042 per Offer Share represents:

- (i) a discount of approximately 17.65% to the closing price of HK\$0.051 per Share as quoted on the Stock Exchange on 9 August 2016, immediately before the Trading Halt;
- (ii) a discount of approximately 12.50% to the closing price of HK\$0.048 per Share as quoted on the Stock Exchange on 8 August 2016, being the Last Trading Day;
- (iii) a discount of approximately 7.89% to the average closing price of HK\$0.0456 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 3.23% to the average closing price of HK\$0.0434 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 1.64% to the average closing price of HK\$0.0427 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 30.00% to the closing price of HK\$0.060 per Share as quoted on the Stock Exchange on 30 August 2016, being the Latest Practicable Date as defined in the Offer Document;
- (vii) a discount of approximately 27.59% to the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on 15 September 2016, being the Latest Practicable Date; and
- (viii) a discount of approximately 22.22% to the audited consolidated net assets per Share of approximately HK\$0.054 as at 31 March 2016, calculated based on the Group's audited consolidated net assets of approximately HK\$222,694,000 as at 31 March 2016 and 4,108,716,000 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Conditions of the Offers

The Share Offer will be conditional upon:

- (a) valid acceptances of the Offers being received by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which would result in the Offeror and parties acting in concert with him holding more than 50% of the voting rights in the Company;
- (b) the Shares remaining listed on the Stock Exchange and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended as at the close of the Offers or upon the Offers becoming unconditional, save for temporary suspension of trading as a result of the Offers; and
- (c) no event occurring or having occurred which is an event of default or other event giving any lender to any member of the Group a right to accelerate the repayment of any obligations prior to their stated maturity date arising from any financing documentation to which any member of the Group is a party or by which it is bound and no lender to any member of the Group indicating on or prior to the Closing Date that it will exercise such rights to accelerate repayment or claim an event of default.

The Offeror reserves the right to waive conditions (b) and (c) as set out above.

Each of the Option Offer and the Warrant Offer will be conditional upon the Share Offer becoming unconditional in all respects.

**The Offers may or may not become unconditional. Shareholders and investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.**

### Highest and lowest closing prices for each Share

During the six-month period preceding and including the Last Trading Day, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange was HK\$0.078 per Share on 22 February 2016 and HK\$0.033 per Share on 19 July 2016, respectively.

### Further details of the Offers

Further details of the Offers including, among other things, the expected timetable, the terms and procedures of acceptance and settlement of the Offers, are set out in the sections headed “Expected Timetable”, “Letter from Kingston Securities” and Appendix I to the Offer Document and the Forms of Acceptance.

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## **LETTER FROM THE BOARD**

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### **INFORMATION OF THE OFFEROR**

The information in this section was extracted from “Information of the Offeror” in the “Letter from Kingston Securities” of the Offer Document:

The Offeror, Mr. Dong Bo Frederic, aged 50, was an executive director of Success Universe Group Limited (formerly known as China Development Corporation Limited), a company listed on the main board of the Stock Exchange with stock code 487, from 3 January 2001 to 29 October 2001. Mr. Dong was an executive director and the chairman of the board of China Baoli Technologies Holdings Limited (formerly known as Premium Land Limited), a company listed on the main board of the Stock Exchange with stock code 164, from 26 October 2001 to 8 November 2006.

In addition, from 2002 to 2004, Mr. Dong was a member of the Standing Committee of the Chamber of Hong Kong Listed Companies, which functions as an effective communication channel between listed companies and regulatory authorities in Hong Kong.

### **INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY**

In the Offer Document, the Offeror announced his purported intention to maintain the Company’s existing principal activities, and upon close of the Offers, to assist the Company to review its business operations and investments and seek for new investment opportunities. The Offeror purported to seek to appoint his own nominees to the board and may ask some or all existing directors to resign, and if they do not do so immediately he may take steps to affect their removal.

As stated in the Offer Document, subject to the results of such review, the Offeror purported that he has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. Save for potential change(s) to the composition of the Board, the Offeror purportedly has no plan to terminate the employment of employees of the Group. However, according to the Offer Document, the Offeror will review the business and operations of the Group and reserves the right to make any changes that he deems necessary or appropriate to the Group’s businesses and operations to optimise the value of the Group.

Subject to the Offers becoming unconditional, the Board will cooperate and provide support to the Offeror as regards to the Offeror’s intention regarding the Group and will continue to act in the best interests of the Group and the Shareholders as a whole.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

As stated in the Offer Document, the Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offers.

Pursuant to the GEM Listing Rules, if, at the closing of the Offers, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares.

The Offeror will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there were 4,108,716,000 Shares in issue.

As at the Last Trading Date, there were 130,000,000 Warrants outstanding, details of which are set out below. If all of such Warrants were exercised, a total of 130,000,000 new Shares would be issued.

All Warrants had expired after 6 September 2016 before the Warrantholders exercised the subscription rights attached to any of the Warrants.

<u>Date of issue</u>	<u>Exercise price</u>	<u>Period during which Warrants outstanding are exercisable</u>	<u>Number of Shares subject to the Warrants outstanding</u>
6 September 2013	HK\$0.216	6 September 2013 to 6 September 2016	130,000,000

As at the Latest Practicable Date, there were 287,732,536 Options outstanding, details of which are set out below. If all of such Options were exercised, a total of 287,732,536 new Shares would be issued.

<u>Date of grant</u>	<u>Exercise price</u>	<u>Period during which Options outstanding are exercisable</u>	<u>Number of Shares subject to the Options outstanding</u>
17 February 2014	HK\$0.234	17 February 2014 to 16 February 2019	40,053,000
21 February 2014	HK\$0.253	21 February 2014 to 20 February 2019	85,241,000
13 October 2014	HK\$0.360	13 October 2014 to 12 October 2016	162,438,536

The shareholding structure of the Company as the Latest Practicable Date was as follows:

<u>Shareholders</u>	<u>Number of Shares</u>	<u>Approximate%</u>
The Offeror and parties acting in concert with him	88,800,000	2.16%
Public Shareholders	4,019,916,000	97.84%
<b>Total:</b>	<b>4,108,716,000</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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### RECOMMENDATION

BaoQiao Partners, the Independent Financial Adviser, is of the opinion that the terms of Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned, and recommends the Independent Shareholders to reject the Share Offer. BaoQiao Partners, the Independent Financial Adviser, however, is of the opinion that the Option Offer Price of HK\$0.001 is fair and reasonable so far as the Optionholders are concerned, and recommends the Optionholders to accept the Option Offer.

Since there is no outstanding Warrant, the Warrant Offer is no longer applicable. As such, BaoQiao Partners, the Independent Financial Adviser, does not advise the Warrantholders in this regard.

The Board concurs with BaoQiao Partners and is of the view that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned. The Board also concurs with BaoQiao Partners and is of the view that the Option Offer Price of HK\$0.001 is fair and reasonable so far as the Optionholders are concerned. The Board therefore recommends the Independent Shareholders to reject the Share Offer but recommends the Optionholders to accept the Option Offer. As the Warrants had expired after 6 September 2016, which was before the date of this letter, the Board considers that the Warrant Offer is no longer applicable and it makes no recommendation in relation thereto.

Your attention is drawn to the “Letter from the Independent Board Committee” as set out in this Response Document which contains its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers, and the “Letter from BaoQiao Partners” as set out in this Response Document containing its advice to the Independent Board Committee in respect of the Offers.

You are also advised to read the Offer Document and the Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Response Document.

By order of the Board of  
**Wealth Glory Holdings Limited**  
**Hong Sze Lung**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**WEALTH GLORY HOLDINGS LIMITED**

**富譽控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8269)**

19 September 2016

*To the Independent Shareholders and the Optionholders,*

Dear Sir or Madam,

**THE VOLUNTARY CONDITIONAL CASH OFFERS BY  
KINGSTON SECURITIES ON BEHALF OF MR. DONG BO FREDERIC  
TO ACQUIRE ALL ISSUED SHARES AND  
ALL OUTSTANDING WARRANTS OF  
WEALTH GLORY HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY ACQUIRED OR  
AGREED TO BE ACQUIRED BY MR. DONG BO FREDERIC AND  
PARTIES ACTING IN CONCERT WITH HIM) AND  
FOR CANCELLATION OF ALL OUTSTANDING OPTIONS OF  
WEALTH GLORY HOLDINGS LIMITED**

We refer to the Response Document dated 2 September 2016 issued by the Company in response to the Offers, in which this letter forms a part. Terms used in this letter shall have the meanings as those defined in the Response Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to give recommendation to the Independent Shareholders and the Optionholders as to whether, in our opinions, the terms of the Offers are fair and reasonable so far as they are concerned and as to acceptance of the Offers. BaoQiao Partners has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the Letter from BaoQiao Partners on pages 14 to 33 of the Response Document.

We also wish to draw your attention to the letter from the Board and the additional information set out in the appendices to the Response Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Offers and the advice from BaoQiao Partners, we are of the view that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned while the Option Price of HK\$0.001 is fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend that the Independent Shareholders should reject the Share Offer and the Optionholders should accept the Option Offer. As the Warrants had expired after 6 September 2016, which was before the date of this letter, we consider that the Warrant Offer is no longer applicable and we make no recommendation in relation thereto.

Notwithstanding our recommendation, the Independent Shareholders and the Optionholders should consider carefully the terms of the Offers and the “Letter from BaoQiao Partners” in this Response Document.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee  
**Wealth Glory Holdings Limited**

**Mr. TAM Chak Chi**  
*Independent non-executive Director*

**Mr. CHOW Chi Fai**  
*Independent non-executive Director*

**Mr. Lau Wan Pui, Joseph**  
*Non-executive Director*

**Mr. Law Chung Lam, Nelson**  
*Non-executive Director*

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## LETTER FROM BAOQIAO PARTNERS

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*The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee, the Independent Shareholders and the Optionholders, which has been prepared for the purpose of inclusion in this Response Document.*



**BaoQiao Partners Capital Limited**  
Unit 501, 5/F, Tower 1, Admiralty Centre,  
18 Harcourt Road, Admiralty, Hong Kong

19 September 2016

*To the Independent Board Committee, the Independent Shareholders and the Optionholders  
of Wealth Glory Holdings Limited*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFERS  
BY KINGSTON SECURITIES LIMITED  
ON BEHALF OF MR. DONG BO FREDERIC  
TO ACQUIRE ALL ISSUED SHARES AND  
ALL OUTSTANDING WARRANTS OF  
WEALTH GLORY HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY ACQUIRED OR  
AGREED TO BE ACQUIRED BY MR. DONG BO FREDERIC AND  
PARTIES ACTING IN CONCERT WITH HIM) AND  
FOR CANCELLATION OF ALL OUTSTANDING OPTIONS OF  
WEALTH GLORY HOLDINGS LIMITED**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in relation to the Offers, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the response document of the Company dated 19 September 2016 issued to the Shareholders (the “**Response Document**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Response Document, unless otherwise specified.

On 12 August 2016, the Offeror announced that he intends to make the Offers in compliance with the Takeovers Code through Kingston Securities to acquire all the Offer Shares and the outstanding Warrants, and to cancel all outstanding Options.



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## LETTER FROM BAOQIAO PARTNERS

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As at the Latest Practicable Date, the Company had 4,108,716,000 Shares in issue, among which 88,800,000 Shares, representing approximately 2.16% of the issued share capital of the Company were held by the Offeror and parties acting in concert with him. Based on the Share Offer Price of HK\$0.042 per Share and 4,019,916,000 Shares subject to the Share Offer, the total value of the Share Offer is HK\$168,836,472.

As at the Latest Practicable Date, the Company had 287,732,536 Options outstanding, of which (a) 40,053,000 Options were granted on 17 February 2014 with an exercise price of HK\$0.234 each, (b) 85,241,000 Options were granted on 21 February 2014 with an exercise price of HK\$0.253 each, and (c) 162,438,536 Options were granted on 13 October 2014 with an exercise price of HK\$0.360 each. The price for the Option Offer to cancel each outstanding Option is HK\$0.001 in cash.

As per the announcement of the Company dated 6 September 2016, all Warrants expired after their expiry date of 6 September 2016. Since there is no outstanding Warrant, we shall not advise the Independent Board Committee, the Independent Shareholders and the Optionholders in regard to the Warrant Offer.

The Board has established the Independent Board Committee comprising all independent non-executive Directors, namely Mr. Tam Chak Chi and Mr. Chow Chi Fai and non-executive Directors, namely Mr. Lau Wan Pui, Joseph and Mr. Law Chung Lam, Nelson, to make recommendations to the Independent Shareholders and the Optionholders as to whether the Share Offer and the Option Offer are, or are not, fair and reasonable and as to acceptance.

We, BaoQiao Partners Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 2.6 of the Takeovers Code and Rule 17.96 of the GEM Listing Rules. We have not acted as the independent financial adviser to the Company for the two years prior to the date of this letter.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation to the Independent Board Committee, the Independent Shareholders and the Optionholders, we have relied on the statements, information, opinions and representations contained or referred to in the Response Document, the annual report of the Company for the year ended 31 March 2014 (the “**2014 Annual Report**”), the annual report of the Company for the year ended 31 March 2015 (the “**2015 Annual Report**”), the annual report of the Company for the year ended 31 March 2016 (the “**2016 Annual Report**”), the first quarterly report of the Company for the 3 months ended 30 June 2016 (the “**2016 First Quarterly Report**”) and the information and representations as provided to us by the Directors and the management of the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Response Document were reasonably made after due enquiries and careful consideration.

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## LETTER FROM BAOQIAO PARTNERS

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All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Response Document (other than information relating to the Offeror and parties acting in concert with him and the terms of the Offers) and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Response Document (other than information relating to the Offeror and parties acting in concert with him and the terms of the Offers) is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Response Document, the omission of which would make any statement in the Response Document misleading. We consider that we have been provided with, and we have reviewed, the currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Share Offer and the Option Offer, and to justify reliance on the accuracy of the information contained in the Response Document so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material information has been withheld by the Directors or the management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, carried out any independent verification of the information provided by the Company, nor have we conducted any independent investigation into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date and Shareholders and Optionholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

We have not considered the tax implications, if any, on the Shareholders and Optionholders of their acceptance or non-acceptance of the Share Offer and the Option Offer since these are particular to their own individual circumstances, Shareholders and Optionholders should consider their own tax position with regard to the Share Offer and the Option Offer and, if any doubt, should consult their own professional adviser in due course.

This letter of advice is issued to the Independent Board Committee, the Independent Shareholders and the Optionholders solely in connection with their consideration of the Share Offer and the Option Offer, and, except for its inclusion in the Response Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and advice in respect of the Share Offer and the Option Offer, we have taken into consideration the following principal factors and reasons:

#### **I. Background and financial information of the Group**

##### **(a) Business of the Group**

The principal activities of the Group include natural resources and commodities business (which consists trading of coal, trading of iron ore and trading of crude palm oil), packaged food business, money lending business, securities investment business, and consumer products business.

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## LETTER FROM BAOQIAO PARTNERS

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(b) Financial information of the Group

Set out below are the financial information of the Group as extracted from the consolidated financial statements for the three years ended 31 March 2014 (“FY2014”), 31 March 2015 (“FY2015”) and 31 March 2016 (“FY2016”) and the three months ended 30 June 2016, details of which are set out in the 2014 Annual Report, the 2015 Annual Report, the 2016 Annual Report and the 2016 First Quarterly Report:

	<b>For the 3 months ended</b>	<b>For the year ended 31 March</b>		
	<b>30 June 2016</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Revenue				
– Trading of natural resources and commodities	12,145	48,014	260,613	301,981
– Sale of packaged food	3,926	14,760	14,750	14,653
– Fee and interest income from money lending	1,594	6,036	1,931	–
– Investment in securities	–	–	–	–
– Sale of consumer products	2,668	4,848	–	–
	<u>20,333</u>	<u>73,658</u>	<u>277,294</u>	<u>316,634</u>
Cost of sales	(16,869)	(62,315)	(270,695)	(311,971)
Gross profit	3,464	11,343	6,599	4,663
Other income	1,218	1,096	639	520
Other gains and losses	(440)	(1,606)	–	(1,168)
Impairment losses recognised in respect of interest in an associate	–	–	–	(35,441)
Impairment loss recognised in respect of goodwill	–	–	(29,657)	–
Impairment loss recognised in respect of intangible assets	–	–	(95,935)	–
Share of profits/(losses) of an associate	136	2,787	775	(46,500)
Selling expenses	(324)	(1,203)	(1,112)	(1,385)
Administrative expenses	(6,465)	(36,363)	(33,567)	(34,065)
Other expenses	(3,127)	(21,668)	(48,882)	(34,600)
Finance costs	(1,076)	(3,892)	(20,572)	(13,563)
Loss before taxation for the year	<u>(6,614)</u>	<u>(49,506)</u>	<u>(221,712)</u>	<u>(161,539)</u>

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## LETTER FROM BAOQIAO PARTNERS

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	As at 31 March		
	2016	2015	2014
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Total assets	272,200	153,288	223,951
Total liabilities	49,506	52,526	154,888
Net assets	<u>222,694</u>	<u>100,762</u>	<u>69,063</u>

### *FY 2014 versus FY 2015*

#### *(i) Financial performance of the Group*

The total revenue for the Group mainly derived from trading of natural resources and commodities which contributed approximately 95.4% and 94.0% of the Group's total revenue for FY2014 and FY2015 respectively.

Revenue for FY2015 was approximately HK\$277.3 million, representing a decrease of approximately HK\$39.3 million or 12.4% as compared to the revenue of approximately HK\$316.6 million for FY2014. As shown in the above table, the decrease in revenue was mainly attributable to the decrease of HK\$41.4 million or 13.7% in revenue from the trading of nature resources and commodities business.

The Group commenced money lending business in FY2015. As at 31 March 2015, the Group has loan portfolio of approximately HK\$21.5 million. The segment recorded revenue of HK\$1.9 million for FY2015.

Operating expenses of the Group for FY2015 amounted to HK\$82.4 million, representing an increase of HK\$13.8 million or 20.1% as compared to FY2014. Excluding non-cash items such as amortization of intangible assets, depreciation charges and share-based payments, the operating expenses would have amounted to HK\$47.6 million in FY2015 as compared to HK\$39.2 million in FY2014. As disclosed in the 2015 Annual Report, the increase in operating expenses (without non-cash items) in FY2015 of approximately 21.2% was mainly due to the increase in legal and professional fees and other services fees incurred as a consequence of the establishment of new businesses and other potential business projects.

Gross profit of the Group for FY2015 was approximately HK\$6.6 million, representing an increase of approximately HK\$1.9 million or 41.5% as compared to the gross profit of HK\$4.7 million in FY2014.

Losses of approximately HK\$202.6 million were record for FY2015, representing an increase in losses of approximately HK\$43.2 million as compared to the losses of approximately HK\$159.4 million in FY2014. The increase in losses was mainly attributable to (i) impairment losses recognized in respect of goodwill and intangible assets and (ii) the increase in operating expenses.

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## LETTER FROM BAOQIAO PARTNERS

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*(ii) Financial position of the Group*

Net assets of the Group increased by HK\$31.7 million or 45.9% from approximately HK\$69.1 million as at 31 March 2014 to approximately HK\$100.8 million as at 31 March 2015, mainly due to the equity funds raised in FY2015.

As at 31 March 2015, the Group's total assets mainly comprised loan receivables of approximately HK\$21.7 million, prepayments, deposits and other receivables of approximately HK\$57.0 million, intangible assets of approximately HK\$19.0 million, cash and cash equivalents of approximately HK\$9.4 million.

As at 31 March 2015, the total liabilities of the Group were approximately HK\$52.5 million, which mainly comprised bonds issued by the Company of approximately HK\$13.5 million, borrowing granted by the non-controlling shareholders of a subsidiary of the Company of approximately HK\$21.1 million, which bears fixed-rate interests of 12% per annum and repayable in October 2016. As at 31 March 2015, accruals and other payable of the Group amounted to HK\$6.8 million.

***FY 2015 versus FY 2016***

*(i) Financial performance of the Group*

The total revenue for the Group mainly derived from (i) trading of natural resources and commodities and (ii) sale of packaged food, which in aggregate contributed approximately 99.3% and 85.2% of the Group's total revenue for FY2015 and FY2016 respectively. The Group showed a significant decline in revenue in FY2016 as compared to FY2015 and had been loss making for each of FY2015 and FY2016.

Revenue for FY2016 was approximately HK\$73.7 million, representing a decrease of approximately HK\$203.6 million or 73.4% as compared to the revenue of approximately HK\$277.3 million for FY2015. As shown in the above table, the decrease in revenue was mainly attributable to the decrease of HK\$212.6 million or 81.6% in revenue from the trading of nature resources and commodities business.

As set out in the 2016 Annual Report, the Group's coal trading business was operated by Goldenbase Limited, an associate of which the Group held a 33.3% equity interest. The Group shared a profit of approximately HK\$2.8 million in FY2016, as compared to HK\$0.8 million in FY2015.

As disclosed in the 2016 Annual Report, the Group disposed the iron ore trading business in October 2015 due to the persistent weak global market condition in the past two years, to allow the Group to better allocate its resources to the Group's other businesses and/or other investment opportunities.

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## LETTER FROM BAOQIAO PARTNERS

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The reason for the drop in revenue for the Group's trading of natural resources and commodities business was due to the decrease in the trading volume in crude palm oil via its wholly-owned subsidiary, Grand Charm Commodities Limited ("**Grand Charm**") in FY2016. As disclosed in the 2016 Annual Report, the master trading agreements entered into by Grand Charm and both suppliers and customers were expired in July 2014. However, Grand Charm was unable to enter into new master trading agreements with better terms given the sluggish market condition. As such, Grand Charm continued carrying out the trading of crude palm oil in the form of trade-by-trade basis, which led to the significant decrease in revenue from the trading of nature resources and commodities. In FY2016, the Group recorded revenue of HK\$48.0 million from the trading of crude palm oil, as compared to HK\$258.2 million in FY2015, which represented a decrease in revenue of HK\$210.2 million or 81.4%.

Although the Group experienced significant decrease in revenue for its trading of nature resources and commodities business, the Group recorded increase in revenue in both of its money lending business and the new consumer products business.

The Group's money lending business has been growing steadily since FY2015. Fees and interest incomes from the Group's money lending business for FY2016 was approximately HK\$6.0 million, representing an increase of approximately HK\$4.1 million or 212.6% as compared to the revenue of approximately HK\$1.9 million for FY2015. As at 31 March 2016, the Group has a loan portfolio of approximately HK\$39.8 million, representing an increase in loan portfolio of approximately HK\$18.1 million or 83.4% as compared to the loan portfolio of approximately HK\$21.7 million as at 31 March 2015.

As disclosed by the Company, the Group acquired the entire equity interests of MD Inc. Limited in October 2015 which, amongst others, engaged in design, manufacture, produce, market, sales and distribution of bags, storage cases for electronic accessories and components, trendy fashion apparels and accessories in Hong Kong and Asia markets. MD recorded post-acquisition revenue of HK\$4.8 million.

The sale of packaged food provided relative stable revenue to the Group for FY2016. The revenue from the sale of packaged food was approximately HK\$14.8 million for both FY2016 and FY2015. However, the segment continued to record a loss of HK\$1.9 million (FY2015: HK\$0.5 million) due to the escalating costs in raw material and the downturn in global economy as explained in the 2016 Annual Report.

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## LETTER FROM BAOQIAO PARTNERS

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Operating expenses of the Group for FY2016 amounted to HK\$58.0 million, representing a decrease of HK\$24.4 million or 29.6% as compared to FY2015. Excluding non-cash items such as amortization of intangible assets, depreciation charges and share-based payments, the operating expenses would have amounted to HK\$54.2 million in FY2016 as compared to HK\$47.6 million in FY2015. As disclosed in the 2016 Annual Report, the increase in operating expenses (without non-cash items) in FY2016 of approximately 14.0% was mainly due to the increase in corporate marketing fee and expenditure for corporate transactions.

Due to its discontinuation of iron ore trading business, the Group recorded impairments of goodwill and intangible assets of HK\$29.7 million and HK\$95.9 million respectively in FY2015. No such items were recorded in FY2016.

The Group also incurred finance costs of HK\$20.6 million for FY2015, comprising of interest payable on borrowings and effective interest on bonds issued by the Company. The finance costs incurred in FY2016 has been reduced to HK\$3.9 million after the redemption of the Group's majority portion of bonds and promissory notes.

Gross profit of the Group for FY2016 was approximately HK\$11.3 million, representing an increase of approximately HK\$4.7 million or 71.9% as compared to the gross profit of HK\$6.6 million in FY2015.

The Group started engaging in investment in listed securities in FY2016. As at 31 March 2016, the Group had a portfolio in Hong Kong listed equity securities with a fair value of HK\$83.3 million. The Group recorded a net gain of HK\$19.5 million in investment in listed securities for FY2016.

Losses of approximately HK\$49.9 million were record for FY2016, representing a reduction in losses of approximately HK\$152.7 million as compared to the losses of approximately HK\$202.6 million in FY2015. Such reduction was mainly attributable to (i) the net gains from investment in securities; (ii) the one-off impairment losses in 2015 due to its discontinuation of iron ore trading business which were not recurring in nature; and (iii) the reduction in operating expenses and finance costs.

(ii) *Financial position of the Group*

There was improvement in the financial position of the Group with total assets and net assets increased from approximately HK\$153.3 million and HK\$100.8 million respectively as at 31 March 2015 to approximately HK\$272.2 million and HK\$222.7 million respectively as at 31 March 2016, mainly due to the equity funds raised in FY2016.

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## LETTER FROM BAOQIAO PARTNERS

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As at 31 March 2016, the Group's total assets of approximately HK\$272.2 million mainly comprised held-for-trading investments of approximately HK\$83.3 million, loan receivables of approximately HK\$39.8 million, prepayments, deposits and other receivables of approximately HK\$26.9 million, goodwill of approximately HK\$34 million, intangible assets of approximately HK\$21.0 million, cash and cash equivalents of approximately HK\$24.0 million and interests in associates i.e. Goldenbase Limited and its subsidiaries of approximately HK\$21.8 million.

As at 31 March 2016, the total liabilities of the Group were approximately HK\$49.5 million, which mainly comprised bonds issued by the Company of approximately HK\$17.7 million, borrowing granted by the non-controlling shareholders of a subsidiary of the Company of approximately HK\$21.1 million, which bears fixed-rate interests of 12% per annum and repayable in October 2016. The borrowings are secured by the loan receivables of approximately HK\$18.4 million. As at 31 March 2016, accruals and other payable of the Group amounted to HK\$7 million.

### *Three months ended 30 June 2016 versus three months ended 30 June 2015*

During the three months ended 30 June 2016, the Group had recorded revenue of approximately HK\$20.3 million, representing a decrease of approximately HK\$8.4 million or 29.3% as compared with that of approximately HK\$28.8 million for the corresponding period in FY2015. The decrease in the Group's revenue was mainly due to the decrease in revenue from the Group's trading of natural resources and commodities business.

The Group recorded a loss before taxation of approximately HK\$6.6 million for the three months ended 30 June 2016 as compared with a profit before taxation of approximately HK\$22.4 million for the corresponding period of FY 2015, mainly due to the fact that the Group recorded a net gain in securities investments of HK\$34.3 million during the three months ended 30 June 2015 while the Group recorded a net loss in securities investment of HK\$0.4 million in the corresponding period in FY2016.



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## LETTER FROM BAOQIAO PARTNERS

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(c) Prospects of the Group

The Group's business environment remains challenging. As disclosed in the 2016 Annual Report and discussed above, the revenue from the trading of natural resources and commodities business decreased by HK\$212.6 million or 81.6% from HK\$260.6 million for FY2015 to HK\$48.0 million for FY2016. In view of the slowing down of the trading of natural resources and commodities business, the Company has been looking for opportunities to diversify its business and is considering opportunities to invest in the online distribution of merchandises and the sale of trendy products in the Greater China region. The Group has also commenced investments in Hong Kong listed equities in order to generate additional return. Nonetheless, although the Group's financial position has improved in FY2016 as compared to FY2015, as evidenced by the increased in net assets in FY2016 over FY2015 and the Group had successfully reduced its losses for FY2016 as compared to FY2015, given (i) it was loss making for 4 consecutive financial years; (ii) new business including the consumer product business are relatively new and the revenue and profit contributed from these new business are relatively insignificant in FY2016; and (iii) investment return can be unstable, it is uncertain that the Group could turnaround in the near future.

## II. Claims and potential litigation

As announced by the Company in an announcement dated 9 September 2016, the Company received a letter (the "**Demand Letter**") from Messrs. Ho & Tam, solicitors acting for Optima Capital Limited (the "**Claimant**") on 8 September 2016, demanding the Company to pay a sum of HK\$1,515,980, being the outstanding financial advisory fee (the "**Service Fee**") in connection with a proposed acquisition of the entire equity interest in Southernpec Singapore Storage and Logistics Limited allegedly owed by the Company to the Claimant. Notice is also given in the Demand Letter that, unless the Service Fee is paid to the Claimant by 15 September 2016, the Claimant will institute legal proceedings against the Company for recovering the Service Fee and/or damages, interest and costs without further notice. As advised by the Company, the Company is in the course of seeking legal advice in respect of the above matter.

After discussion with the management of the Company, we understand that the Company is of the view that the Company has paid the Claimant for the service it rendered and is not indebted to the Claimant for the alleged outstanding amount. Also, the management of the Company considers that the alleged outstanding amount is not material to the Group and is not expected to have any significant impact to the current financial position of the Group as a whole.

As disclosed in the 2016 Annual Report, the Company has net assets of approximately HK\$222.7 million and cash and cash equivalents of approximately HK\$24.0 million. The amount of Service Fee of HK\$1,515,980 represents approximately 0.68% and 6.32% to the net assets and cash and cash equivalents of the Company as at 31 March 2016 respectively. As such, we concur with the Company's view that the alleged outstanding amount is not material to the Group and is not expected to have any significant impact to the current financial position of the Group as a whole.

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## LETTER FROM BAOQIAO PARTNERS

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### **III. Information of the Offeror**

As disclosed in the letter from Kingston Securities in the Offer Document, the Offeror has extensive management experience in Hong Kong and the PRC for more than 20 years. The Offeror was an executive director of Success Universe Group Limited (formerly known as China Development Corporation Limited), a company listed on the main board of the Stock Exchange with stock code 487, from 3 January 2001 to 29 October 2001. The Offeror was an executive director and the chairman of the board of China Baoli Technologies Holdings Limited (formerly known as Premium Land Limited), a company listed on the main board of the Stock Exchange with stock code 164, from 26 October 2001 to 8 November 2006. In addition, from 2002 to 2004, the Offeror was a member of the Standing Committee of the Chamber of Hong Kong Listed Companies, which functions as an effective communication channel between listed companies and regulatory authorities in Hong Kong.

Please refer to the letter from Kingston Securities in the Offer Document for further details of the Offeror.

### **IV. Intention of the Offeror on the Group**

As disclosed in the letter from Kingston Securities in the Offer Document, the Offeror intends to maintain the Company's existing principal activities, and upon close of the Offers, he will assist the Company to review its business operations and investments and seek for new investment opportunities. He will also seek to appoint his own nominees to the Board and may ask some or all existing Directors to resign, and if they do not do so immediately he may take steps to affect their removal.

As also disclosed in the letter from Kingston Securities in the Offer Document, subject to the results of this review, the Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. Save for potential change(s) to the composition of the Board, the Offeror has no plan to terminate the employment of employees of the Group. However, as mentioned above, the Offeror will review the business and operations of the Group and reserves the right to make any changes that he deems necessary or appropriate to the Group's businesses and operations to optimise the value of the Group.

As also disclosed in the letter from Kingston Securities in the Offer Document, the Offeror intends the Shares to remain listed on the Stock Exchange after the close of the Offers and will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

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## LETTER FROM BAOQIAO PARTNERS

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### V. Principal terms of the Offers

Kingston Securities, on behalf of the Offeror, hereby makes the Offers in compliance with the Takeovers Code on the following basis:

*Share Offer:*

For each Offer Share ..... HK\$0.042 in cash

*Warrant Offer:*

On 12 August 2016, being the date of the announcement of the Offers issued by the Offeror, there were an aggregate of 130,000,000 Warrants outstanding entitling the holders thereof to subscribe for a total of 130,000,000 Shares at an exercise price of HK\$0.216 each. As the exercise price of the outstanding Warrants is higher than the Share Offer Price, i.e. all are out of the money. Hence, the Warrant Offer is made on the following terms:

For each outstanding Warrant..... HK\$0.001 in cash

As per the announcement of the Company dated 6 September 2016, all Warrants expired after their expiry date of 6 September 2016.

*Option Offer:*

As at the Latest Practicable Date, there are an aggregate of 287,732,536 Options outstanding, of which (a) 40,053,000 Options were granted on 17 February 2014 with an exercise price of HK\$0.234 each, (b) 85,241,000 Options were granted on 21 February 2014 with an exercise price of HK\$0.253 each, and (c) 162,438,536 Options were granted on 13 October 2014 with an exercise price of HK\$0.360 each. As all the exercise prices for the outstanding Options are higher than the Share Offer Price, i.e. all are out of the money. Hence, the Option Offer is made on the following terms:

For cancellation of each outstanding Option..... HK\$0.001 in cash

Following the Option Offer becoming unconditional, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Offers are subject to the fulfillment of the conditions as set out in the section headed "Conditions of the Offers" of the Offer Document.

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## LETTER FROM BAOQIAO PARTNERS

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### VI. Share Offer Price comparison

(a) Historical price performance and liquidity of the Shares

In order to assess the fairness and reasonableness of the Share Offer Price, we have reviewed the movements in closing price of the Shares for the period commencing from 10 August 2015, being the 12-month period prior to the Last Trading Day, and up to the Latest Practicable Date (the “**Review Period**”).

The chart below shows the daily closing prices of the Shares during the Review Period and the Share Offer Price.



Source: the website of the Stock Exchange and Bloomberg

As illustrated in the above chart, the Shares were traded above the Share Offer Price of HK\$0.042 at the majority of time during the Review Period with an average of approximately HK\$0.073. The highest closing price and lowest closing price were HK\$0.132 per Share on 14 October 2015 and HK\$0.033 per Share on 19 July 2016, respectively. Although the Share Offer Price represents a premium of 27.3% to the lowest closing price of the Shares during the Review Period, it represents a discount of approximately 68.2%, and 42.5% to the highest and average closing price of the Shares respectively.

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## LETTER FROM BAOQIAO PARTNERS

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The Share Offer Price of HK\$0.042 per Offer Share also represents:

- (i) a discount of approximately 17.65% to the closing price of HK\$0.051 per Share as quoted on the Stock Exchange on 9 August 2016, immediately before the Trading Halt;
- (ii) a discount of approximately 12.50% to the closing price of HK\$0.048 per Share as quoted on the Stock Exchange on 8 August 2016, being the Last Trading Day;
- (iii) a discount of approximately 7.89% to the average closing price of HK\$0.0456 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 3.23% to the average closing price of HK\$0.0434 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 1.64% to the average closing price of HK\$0.0427 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 27.59% to the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on 15 September 2016, being the Latest Practicable Date; and
- (vii) a discount of approximately 22.22% to the audited consolidated net assets per Share of approximately HK\$0.054 as at 31 March 2016, calculated based on the Group's audited consolidated net assets of approximately HK\$222,694,000 as at 31 March 2016 and 4,108,716,000 Shares in issue as at the Latest Practicable Date.

We have also reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares, the percentages of daily trading volume of the Shares as compared to the total number of issued Shares during the Review Period are shown in below table.

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## LETTER FROM BAOQIAO PARTNERS

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### Historical average daily trading volume of the Shares

	Total monthly trading volume of Shares	Average daily trading volume of Shares	Approximate % of average daily trading volume to the total issued Shares (note 1)
<b>2015</b>			
10 August – 31 August	120,101,005	7,506,313	0.33%
September	54,510,400	2,725,520	0.10%
October	720,788,000	36,039,400	1.32%
November	291,868,000	13,898,476	0.51%
December	141,396,000	6,427,091	0.23%
<b>2016</b>			
January	137,181,900	6,859,095	0.17%
February	549,024,100	30,501,339	0.74%
March	347,833,300	16,563,490	0.40%
April	428,718,000	21,435,900	0.52%
May	314,074,000	14,955,905	0.36%
June	105,510,000	5,024,286	0.12%
July	347,494,000	17,374,700	0.42%
August	1,401,832,525	73,780,659	1.80%
1 September to 15 September	230,302,000	20,936,545	0.51%

Source: the website of Stock Exchange and Bloomberg

Note:

1. The calculation is based on the number of Shares in issue as at the end of each month.
2. The data of September 2016 represents the trading volume for the period from 1 September 2016 to the Latest Practicable Date.

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## LETTER FROM BAOQIAO PARTNERS

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The above table demonstrates that during the Review Period, the percentage of the average daily trading volume of the Shares were in the range of approximately 0.10% to 1.80% with an average of approximately 0.54%. The above statistics revealed that trading in the Shares was relatively thin during the Review Period and the Shares were generally illiquid in the open market. The Share Offer presents an opportunity for those Independent Shareholders who consider disposing their significant number of Shares in the open market, as they can dispose their Shares without exerting the downward pressure on the market price of the Shares as a result of the disposal. However, Independent Shareholders should take into account that the Share Offer Price is at a discount of approximately 27.59% to the market price of the Shares of HK\$0.058 as at the Latest Practicable Date and is at a discount of approximately 42.5% to the average closing price of the Shares of HK\$0.073 during the Review Period, the Share Offer Price may not be considered as attractive for the Independent Shareholders to dispose their Shares at.

(b) Comparable analysis

To further evaluate the fairness and reasonableness of the Share Offer, we also considered a comparison of general offers conducted by other companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange. Based on the information available from the Stock Exchange's website, we have reviewed, so far as we are aware of, all the general offers with consideration in cash triggered by change in control announced by the companies listed on the Main Board or Growth Enterprise Market of the Stock Exchange during the period from 10 August 2015, being twelve (12) months immediately preceding the Last Trading Day, to the Latest Practicable Date (the "**Comparable Period**"). We are unable to identify subject companies which have business nature close to that of the Company. Given that the Company has been loss making and with market capitalization of approximately HK\$238.3 million as at the Latest Practicable Date, we try to narrow down the scope of the comparison by selecting those offers with subject companies reported loss in their latest audited results prior to the announcement of the respective offer and with a market capitalization of not more than HK\$1 billion (the "**Comparable Offers**"). To the best of our knowledge, after making reasonable enquires and as far as we are aware, there are 13 listed companies which meet our selection criteria, which represent an exhaustive list of all the comparable companies meeting the aforementioned criteria as identified by us. We have considered to select subject companies which reported loss in their latest audited results prior to the announcement of the respective offer and with a market capitalization of not more than HK\$500 million, however, the sample size would be too small and not representative.

# LETTER FROM BAOQIAO PARTNERS

Details of the Comparable Offers are summarised in the following table:

Date of announcement	Company (Stock code)	Principal business of the company before change in control	Market Cap as at Latest Practicable Date HK\$ million	Close Price as at Latest Practicable Date HK\$	Offer price HK\$	Premium/(discount) of offer price over/to closing price or average closing share price prior to the announcement of the general offer			
						Last trading day (the "LTD Price") %	5 days average (the "5 Days Average Price") %	10 days average (the "10 Days Average Price") %	30 days average (the "30 Days Average Price") %
14-Sep-16	Epicurean and Co., Ltd. (8213)	food and beverage business	344	0.124	0.1211	7.17	10.49	12.65	4.94 <sup>#</sup>
1-Aug-16	One Media Group Limited (426)	magazine publication, digital news, investments in media-related business	661	1.65	1.7016	21.54	26.23	26.61	38.00
27-Jul-16	Grand Concord International Holdings Limited (844)	manufacturing of functional fabrics and innerwear products	667	1.62	1.592	4.74	6.70	6.99	14.86
22-Jul-16	Glory Mark Hi-Tech (Holdings) Limited (8159)	design, manufacture and sale of connectivity products mainly for computers, peripheral products, multi-media consumable electronic products, communication products, automobile electronics accessories, wire harness and medical equipment.	461	0.72	0.71875	23.92	26.10	30.80	39.70
23-May-16	Yuhua Energy Holdings Ltd (2728)	manufacturing and trading business, which can be categorised as (i) energy trading; and (ii) speaker units business	866	1.12	0.93	(8.82)	(5.87)	(5.78)	(10.95)
14-Apr-16	TeleEye Holdings Ltd (8051)	business of manufacturing and selling video and audio monitoring systems	603	0.72	0.550	(5.17)	14.82	20.88	31.89
18-Mar-16	Brilliance Worldwide Holdings Ltd (currently known as China Hanya Group Holdings Ltd.) (8312)	sale of innerwear, casual wear and baby and children wear in Sweden, the United Kingdom, Spain and Hong Kong	873	1.18	0.5908	(1.53)	1.51	4.75	17.65
29-Feb-16	Ta Yang Group Holdings Ltd (1991)	designing and manufacturing silicone rubber input devices, mainly used in consumer electronic devices, keypads for computers and notebooks, mobile phone handsets and automotive peripheral products	923	1.06	1.1281	(1.90)	(1.04)	0.72	5.43



# LETTER FROM BAOQIAO PARTNERS

Date of announcement	Company (Stock code)	Principal business of the company before change in control	Market Cap as at Latest Practicable Date	Close Price as at Latest Practicable Date	Offer price	Premium/(discount) of offer price over/to closing price or average closing share price prior to the announcement of the general offer			
						Last trading day (the "LTD Price")	5 days average (the "5 Days Average Price")	10 days average (the "10 Days Average Price")	30 days average (the "30 Days Average Price")
			HK\$ million	HK\$	HK\$	%	%	%	%
18-Feb-16	Northeast Tiger Pharmaceutical Co Ltd (8197)	production and sales of Chinese medicine in the PRC as well as conducting pharmaceutical research and development	261	1.26	0.2001	(91.07)	(89.52)	(89.16)	(89.00) <sup>#</sup>
31-Dec-15	Intergrated Waste Solutions Group Holdings Ltd (923)	trading of recovered paper and materials, trading of tissue paper products, provision of confidential materials destruction services and provision of logistics services	704	0.146	0.158	0.00	2.60	1.28	(6.51) <sup>#</sup>
12-Nov-15	Chanco International Group Ltd (currently known as Ascent International Holdings Ltd.) (264)	manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories	400	1.15	1.99	7.20	3.50	11.30	23.40
24-Sep-15	Novo Group Ltd (1048)	trading and distribution of iron ore, coal and steel products, and manufacturing, sales and distribution of electrolytic tinplate and related products for metal packaging industry	521	3.05	3.755	114.57	165.93	181.06	197.78
11-Aug-15	Telefield International (Holdings) Ltd currently known as China Healthcare Enterprise Group Ltd. (1143)	EMS and the distribution businesses	664	0.134	2.031	(5.97)	12.09	39.59	111.78
					Average	4.98	13.35	18.59	29.15
					Maximum	114.57	165.93	181.06	197.78
					Minimum	(91.07)	(89.52)	(89.16)	(89.00)
	<b>The Company</b>					<b>(12.50)</b>	<b>(7.89)</b>	<b>(3.23)</b>	<b>(1.64)</b>

Source: the website of the Stock Exchange

Notes:

- The premium/discount ratios in the above table are obtained from the announcements of general offer of the Comparable Offers.
- premium/discount ratio marked with “#” are calculated by using historical 30-day average prices divided by the offer price as they were not disclosed in the announcement of the Comparable Offers.

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## LETTER FROM BAOQIAO PARTNERS

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As shown in the table above, the average of the offer prices of the Comparable Offers represent premiums of 4.98%, 13.35%, 18.59% and 29.15% to the LTD Price, the 5 Days Average Price, the 10 Days Average Price and 30 Days Average Price respectively, while the Share Offer Price represents discounts of approximately 12.50%, 7.89%, 3.23% and 1.64% to the LTD Price, the 5 Days Average Price, the 10 Days Average Price and 30 Days Average Price respectively. Based on the analysis of the Comparable Offers, we consider that the Share Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned. We note that the range of the premium/discount ratios in the above analysis is relatively large, nonetheless, we are of the view that the analysis on Comparable Offers illustrates the current market valuation of the companies of the Comparable Offers. As such, we are of the view that the Comparable Offers are fair and representative samples.

### **VII. The Option Offer**

As at the Latest Practicable Date, there were an aggregate of 287,732,536 Options outstanding, of which (a) 40,053,000 Options were granted on 17 February 2014 with an exercise price of HK\$0.234 each, (b) 85,241,000 Options were granted on 21 February 2014 with an exercise price of HK\$0.253 each, and (c) 162,438,536 Options were granted on 13 October 2014 with an exercise price of HK\$0.360 each. Therefore, based on the Share Offer Price of HK\$0.042, all the Options are out-of-the-money and their implied intrinsic value was nil. Accordingly, we consider the Option Offer Price of the nominal amount of HK\$0.001 per Option to be fair and reasonable so far as the Optionholders are concerned.

As disclosed in the Offer Document, the Option Offer is conditional only upon the Share Offer becoming unconditional in all respects.

### **RECOMMENDATION**

Having taken into consideration of the following principal factors and reasons regarding the Share Offer and the Option Offer including:

- (i) the Share Offer Price represents a discount of approximately 12.50% over the closing price of the Shares on the Last Trading Day; a discount of approximately 7.89% to the average closing price per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; a discount of approximately 3.23% to the average closing price per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day; a discount of approximately 1.64% to the average closing price per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (ii) the Share Offer Price represents a discount of approximately 42.5% to the average closing price and a discount of approximately 68.2% to the maximum closing price during the Review Period;

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## LETTER FROM BAOQIAO PARTNERS

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- (iii) the Share Offer Price represents a discount of approximately 27.59% to the prevailing market price as at the Latest Practicable Date;
- (iv) a discount of approximately 22.22% to the audited consolidated net assets per Share of approximately HK\$0.054 as at 31 March 2016, calculated based on the Group's audited consolidated net assets of approximately HK\$222,694,000 as at 31 March 2016 and 4,108,716,000 Shares in issue as at the Latest Practicable Date; and
- (v) the offer prices of the Comparable Offers represent premiums of 4.98%, 13.35%, 18.59% and 29.15% to the LTD Price, the 5 Days Average Price, the 10 Days Average Price and 30 Days Average Price respectively, while the Share Offer Price represents discounts of approximately 12.50%, 7.89%, 3.23% and 1.64% to the LTD Price, the 5 Days Average Price, the 10 Days Average Price and 30 Days Average Price respectively,

we consider that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned and we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, reject the Share Offer.

As the Options outstanding are out of the money with no implied intrinsic value based on the Share Offer Price, we consider that the Option Offer Price of HK\$0.001 is fair and reasonable so far as the Optionholders are concerned. According, we advise the Independent Board Committee to advise the Optionholders to, and we recommend the Optionholders to, accept the Option Offer.

However, the Optionholders are reminded that the Option Offer is conditional upon the Share Offer becoming unconditional in all respects. As the Share Offer is subject to a number of conditions which may or may not be fulfilled, the Offers may or may not become unconditional.

Given the financial performance and uncertainties over prospects of the Group, and the trading of the Shares is relatively illiquid, the Share Offer presents the Independent Shareholders an opportunity to dispose their Shares without exerting downward pressure on the market price of the Shares, however, having considered the Share Offer Price represents a significant discount to (i) the average closing price and the maximum closing price during the Review Period; (ii) the prevailing market price as at the Latest Practicable Date; and (iii) the net assets per share as discussed above, we consider that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned.

Independent Shareholders who wish to dispose their Shares are reminded that they should monitor the price of the Shares during the Offer Period and should consider accepting the Share Offer if the net amount receivable under the Share Offer would exceed the net proceeds from the sales of such Shares in the open market.

Yours faithfully,  
For and on behalf of  
**BaoQiao Partners Capital Limited**  
**Monica Lin**  
*Managing Director*

## 1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three financial years ended 31 March 2014, 2015 and 2016 as extracted from the annual reports of the Company for the year ended 31 March 2014, 2015 and 2016, respectively, and the unaudited financial results of the Group for the three months ended 30 June 2016 as extracted from the quarterly report of the Company for the three months ended 30 June 2016.

	For the three months ended 30 June	For the year ended 31 March		
	2016 HK\$'000 (unaudited)	2016 HK\$'000 (audited)	2015 HK\$'000 (audited)	2014 HK\$'000 (audited)
Revenue	20,333	73,658	277,294	316,634
Loss before taxation	(6,614)	(49,506)	(221,712)	(161,539)
Taxation credit/(expense)	18	36	18,551	2,076
Loss for the year/period	(6,596)	(49,470)	(203,161)	(159,463)
Other comprehensive expense:				
<i>Item that may be subsequent reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(379)	(156)	(78)	(173)
Total comprehensive expense for the year	(6,975)	(49,626)	(203,239)	(159,636)
(Loss) profit for the year attributable to:				
Owners of the Company	(6,746)	(49,893)	(202,603)	(159,407)
Non-controlling interests	150	423	(558)	(56)
	(6,596)	(49,470)	(203,161)	(159,463)
Total comprehensive (expense) income for the year attributable to:				
Owners of the Company	(7,125)	(50,049)	(202,681)	(159,580)
Non-controlling interests	150	423	(558)	(56)
	(6,975)	(49,626)	(203,239)	(159,636)
	HK cents	HK cents	HK cents (restated)	HK cents
Loss per share				
Basic and diluted	(0.16)	1.72	11.49	14.1

There were no dividends declared or paid for the three years ended 31 March 2014, 2015 and 2016. There were no minority interests and items that are exceptional because of size, nature or incidence during each of the three years ended 31 March 2014, 2015 and 2016.

There were no qualifications in the auditor's report on the consolidated financial statements for each of the three years ended 31 March 2014, 2015 and 2016 as contained in the annual reports for these respective years.

**2. UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE MONTHS ENDED 30 JUNE 2016**

The following information is extracted from the quarterly report of the Company for the three months ended 30 June 2016:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the three months ended 30 June 2016*

	<i>Notes</i>	<b>For the three months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	3	<b>20,333</b>	28,763
Cost of sales		<b>(16,869)</b>	(26,050)
<b>Gross profit</b>		<b>3,464</b>	2,713
Other income	3	<b>1,218</b>	128
Change in fair value of held-for-trading investments		<b>(440)</b>	34,263
Share of profit of associates		<b>136</b>	534
Selling expenses		<b>(324)</b>	(275)
Administrative expense		<b>(6,465)</b>	(9,884)
Other expenses		<b>(3,127)</b>	(4,186)
Finance costs	4	<b>(1,076)</b>	(877)
<b>(Loss) Profit before taxation</b>	5	<b>(6,614)</b>	22,416
Taxation credit (expense)	6	<b>18</b>	(5,654)
<b>(Loss) Profit for the period</b>		<b>(6,596)</b>	16,762
<b>Other comprehensive income (expense):</b>			
Items that may be subsequently reclassified to profit or loss:			
– Exchange differences arising on translation of foreign operations		<b>(379)</b>	75
<b>Total comprehensive income (expense) for the period</b>		<b>(6,975)</b>	16,837

	<i>Notes</i>	For the three months ended 30 June	
		2016 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
<b>(Loss) Profit for the period attributable to:</b>			
Owners of the Company		(6,746)	16,704
Non-controlling interests		150	58
		<u>(6,596)</u>	<u>16,762</u>
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		(7,125)	16,779
Non-controlling interests		150	58
		<u>(6,975)</u>	<u>16,837</u>
		<i>HK cents</i>	<i>HK cents</i> (restated)
<b>(Loss) Earnings per share</b>			
– Basic	7	<u>(0.16)</u>	<u>0.72</u>
– Diluted		<u>(0.16)</u>	<u>0.72</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Warrants reserve	Merger reserve	Translation reserve	Share-based payment reserve	Legal reserve	(Accumulated loss)	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016 (Audited)	41,087	533,433	3,527	(4,246)	(790)	31,073	485	(382,083)	222,486	208	222,694
Exchange differences arising on translation of foreign operations	-	-	-	-	(379)	-	-	-	(379)	-	(379)
(Loss)/profit for the period	-	-	-	-	-	-	-	(6,746)	(6,746)	150	(6,596)
Total comprehensive (expense)/income for the period	-	-	-	-	(379)	-	-	(6,746)	(7,125)	150	(6,975)
Transfer upon lapse of share options	-	-	-	-	-	(1,144)	-	1,144	-	-	-
Changes in equity for the period	-	-	-	-	(379)	(1,144)	-	(5,602)	(7,125)	150	(6,975)
<b>At 30 June 2016 (Unaudited)</b>	<b>41,087</b>	<b>533,433</b>	<b>3,527</b>	<b>(4,246)</b>	<b>(1,169)</b>	<b>29,929</b>	<b>485</b>	<b>(387,685)</b>	<b>215,361</b>	<b>358</b>	<b>215,719</b>
At 1 April 2015 (Audited)	21,371	381,564	3,527	(4,246)	(634)	31,073	485	(332,190)	100,950	(188)	100,762
Exchange differences arising on translation of foreign operations	-	-	-	-	75	-	-	-	75	-	75
Profit for the period	-	-	-	-	-	-	-	16,704	16,704	58	16,762
Total comprehensive income for the period	-	-	-	-	75	-	-	16,704	16,779	58	16,837
Issue of shares upon placing	1,620	32,400	-	-	-	-	-	-	34,020	-	34,020
Transaction costs attributable to issue of shares	-	(746)	-	-	-	-	-	-	(746)	-	(746)
Change in shareholding in a subsidiary without losing control	-	-	-	-	-	-	-	-	-	(27)	(27)
Changes in equity for the period	1,620	31,654	-	-	75	-	-	16,704	50,053	31	50,084
<b>At 30 June 2015 (Unaudited)</b>	<b>22,991</b>	<b>413,218</b>	<b>3,527</b>	<b>(4,246)</b>	<b>(559)</b>	<b>31,073</b>	<b>485</b>	<b>(315,486)</b>	<b>151,003</b>	<b>(157)</b>	<b>150,846</b>

**NOTES TO THE UNAUDITED CONSOLIDATED RESULTS**

*For the three months ended 30 June 2016*

**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is 17/F., No. 8 Wyndham Street, Central, Hong Kong. The Company's shares were listed on GEM of the Stock Exchange.

The Company is an investment holding company. During the period, the Group was involved in the following principal activities:

- (i) trading of natural resources and commodities;
- (ii) money lending business;
- (iii) investment in coal trading business;
- (iv) development and promotion of brands, design, manufacture and sale of trendy fashion merchandises and other consumer products;
- (v) manufacture and sale of fresh and dried noodles; and
- (vi) investment in securities.

**2. BASIS OF PRESENTATION AND PREPARATION**

The unaudited consolidated results for the three months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The unaudited consolidated results should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with HKFRSs.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated results are consistent with those used in the audited financial statements included in the annual report of the Company for the year ended 31 March 2016, except for the adoption of the new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 April 2016. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and the amounts reported for the current and prior periods.

The Group has not applied the new and revised HKFRSs, which have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.



## 3. REVENUE AND OTHER INCOME

	For the three months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Revenue</b>		
Trading of natural resources and commodities	12,145	23,698
Sale of packaged food	3,926	3,692
Sale of consumer products	2,668	–
Fee and interest income from money lending	1,594	1,373
	<u>20,333</u>	<u>28,763</u>
<b>Other income</b>		
Bank interest income	6	–
Interest income from loan to an associate	125	126
Imputed interest income from loans to investees	364	–
Dividend income	715	–
Sundry income	8	2
	<u>1,218</u>	<u>128</u>

## 4. FINANCE COSTS

	For the three months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interests on bank overdrafts and bank borrowings	26	–
Interests on other borrowings	630	593
Effective interests on promissory notes	–	38
Effective interests on bonds	420	246
	<u>1,076</u>	<u>877</u>

## 5. (LOSS) PROFIT BEFORE INCOME TAX

	For the three months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group's (loss) profit before taxation is arrived at after charging the following:		
Cost of inventories recognised as an expense	16,869	26,050
Depreciation	107	393
Amortisation of intangible assets	769	500
Operating lease rentals in respect of:		
– land and buildings	1,002	1,054
– other facilities	–	420
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	3,080	2,570
– Retirement benefit scheme contributions	389	326
	<u>21,014</u>	<u>30,263</u>

## 6. TAXATION CREDIT (EXPENSE)

	For the three months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Tax credit (charge) comprise of:		
Current	-	(1,720)
Deferred tax credit	18	(3,934)
	<u>18</u>	<u>(5,654)</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No EIT was provided for the period ended 30 June 2016 as the Group did not generate any assessable profit arising from the PRC.

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits for the period ended 30 June 2016. No Hong Kong Profits Tax was provided for the period ended 30 June 2016 as the Group did not have assessable profit arising or derived from Hong Kong during the period.

According to the current applicable laws of the Macau Special Administrative Region, Macau Complementary Tax is calculated at a progressive rate from 9% to 12% (2014: 9% to 12%) on the estimated assessable profits for the year with the first two hundred thousand Patacas assessable profits being free from tax. However, Greenfortune (Macao Commercial Offshore) Limited ("Greenfortune"), a wholly-owned subsidiary of the Company, operating in Macau during the year is in compliance with the Decree-Law No. 58/99/M of Macau Special Administrative Region, and thus, the profits generated by the subsidiary is exempted from the Macau Complementary Tax. No provision for profits tax in Macau has been made for both periods as the Group did not generate any assessable profits arising in Macau.

The share of income tax expense attributable to the associates for the period amounting to HK\$304,000 (2015: HK\$429,000) was included in "Share of profit of associates" in the unaudited consolidated results.

## 7. (LOSS) EARNING PER SHARE

## (a) Basic (loss) earnings per share

The calculations of basic loss per share for the three months ended 30 June 2016 were based on the unaudited consolidated loss of HK\$6,746,000 (2015: profit of HK\$16,704,000) attributable to the owners of the Company for the three months ended 30 June 2016 and the weighted average number of 4,108,716,000 shares in issue (weighted average number of shares in issue for the three months ended 30 June 2015 (restated): 2,310,589,000 shares).

## (b) Diluted (loss) earnings per share

The computation of diluted loss per share for the three months ended 30 June 2016 does not assume the exercise of the Company's share options and warrants as they would reduce loss per share.

The calculation of diluted earnings per share for the three months ended 30 June 2015 was based on the unaudited consolidated profit attributable to the owners of the Company of HK\$16,704,000 and the weighted average number of 2,317,506,000 shares in issue for the three months ended 30 June 2015 which has been adjusted for the impact of the open offer in January 2016, calculated as follows:

	Number of shares '000 (restated)
Weighted average number of shares for the purpose of basic earnings per share	2,310,589
Effect of exercise of warrants	5,321
Effect of exercise of share options	1,596
	<u>2,317,506</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>2,317,506</u>

**8. RELATED PARTY TRANSACTIONS**

(a) During the period, the Group has entered into the following transactions between related parties:

	<b>For the three months ended</b>	
	<b>30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Loan interest income from an associate	<b>125</b>	126
Finance costs paid/payable to non-controlling shareholders of a subsidiary	<b>630</b>	593

(b) The Group has provided financial assistance amounted to HK\$320,000 at date of inception of the financial assistance to Mr. Law Chung Lam, Nelson, a non-executive director of the Company and directors of certain subsidiaries of the Group. The transaction was a continuing connected transaction (as defined in the GEM Listing Rules) which was exempted from reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The financial assistance was repayable by instalment. The outstanding balance of the financial assistance amounted to approximately HK\$225,000 as at 30 June 2016 (30 June 2015: HK\$286,000).

**9. APPROVAL OF UNAUDITED CONSOLIDATED RESULTS**

The unaudited consolidated results of the Group for the three months ended 30 June 2016 were approved by the Board on 12 August 2016.

**10. DIVIDEND**

The Directors do not recommend the payment of any dividend in respect of the three months ended 30 June 2016 (2015: Nil).

### 3. AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2016

The following financial information is extracted from the annual report of the Company for the year ended 31 March 2016:

#### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Revenue	6	73,658	277,294
Cost of sales		(62,315)	(270,695)
Gross profit		11,343	6,599
Other income	7	1,096	639
Other gains and losses, net	8	(1,606)	–
Impairment loss recognised in respect of goodwill		–	(29,657)
Impairment loss recognised in respect of intangible assets		–	(95,935)
Share of profits of associates		2,787	775
Selling expenses		(1,203)	(1,112)
Administrative expenses		(36,363)	(33,567)
Other expenses		(21,668)	(48,882)
Finance costs	9	(3,892)	(20,572)
Loss before taxation		(49,506)	(221,712)
Taxation	11	36	18,551
Loss for the year	12	(49,470)	(203,161)
Other comprehensive expense:			
<i>Item that may be subsequent reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(156)	(78)
Total comprehensive expense for the year		(49,626)	(203,239)
(Loss) profit for the year attributable to:			
Owners of the Company		(49,893)	(202,603)
Non-controlling interests		423	(558)
		(49,470)	(203,161)

	<i>NOTES</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		<b>(50,049)</b>	(202,681)
Non-controlling interests		<b>423</b>	(558)
		<b>(49,626)</b>	(203,239)
		<i>HK cents</i>	<i>HK cents</i> (restated)
Loss per share	<i>14</i>		
Basic and diluted		<b>1.72</b>	11.49

**Consolidated Statement of Financial Position***At 31 March 2016*

	<i>NOTES</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>15</i>	<b>1,448</b>	9,987
Interests in associates	<i>16</i>	<b>21,784</b>	19,108
Loans to associates	<i>16</i>	–	5,754
Loans receivables	<i>22</i>	<b>5,735</b>	240
Deposits and other receivables	<i>23</i>	<b>14,740</b>	10,000
Goodwill	<i>17</i>	<b>34,279</b>	–
Intangible assets	<i>18</i>	<b>20,992</b>	19,000
Available-for-sale investments	<i>20</i>	<b>4,329</b>	–
		<b>103,307</b>	64,089
Current assets			
Inventories	<i>19</i>	<b>5,833</b>	875
Held-for-trading investments	<i>20</i>	<b>83,273</b>	–
Trade receivables	<i>21</i>	<b>3,774</b>	1,803
Loans receivables	<i>22</i>	<b>34,083</b>	21,485
Prepayments, deposits and other receivables	<i>23</i>	<b>12,207</b>	46,956
Loans to associates	<i>16</i>	<b>5,754</b>	8,701
Cash and cash equivalents	<i>24</i>	<b>23,969</b>	9,379
		<b>168,893</b>	89,199
Current liabilities			
Trade payables	<i>25</i>	<b>1,883</b>	1,284
Accruals and other payables		<b>7,063</b>	6,767
Bank overdrafts	<i>26</i>	<b>255</b>	–
Bank borrowings	<i>26</i>	<b>1,185</b>	–
Promissory note	<i>27</i>	–	3,299
Bonds	<i>28</i>	<b>10,623</b>	13,539
Other borrowings	<i>29</i>	<b>21,062</b>	–
		<b>42,071</b>	24,889
Net current assets		<b>126,822</b>	64,310
Total assets less current liabilities		<b>230,129</b>	128,399

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current liabilities			
Bonds	28	7,040	6,576
Other borrowings	29	–	21,061
Deferred tax liabilities	30	395	–
		<u>7,435</u>	<u>27,637</u>
Net assets		<u><u>222,694</u></u>	<u><u>100,762</u></u>
Capital and reserves			
Share capital	31	41,087	21,371
Reserves		<u>181,399</u>	<u>79,579</u>
Total attributable to owners of the Company		222,486	100,950
Non-controlling interests		<u>208</u>	<u>(188)</u>
Total equity		<u><u>222,694</u></u>	<u><u>100,762</u></u>

The consolidated financial statements on pages I-9 to I-65 were approved and authorised for issue by the Board of Directors on 28 June 2016 and are signed on its behalf by:

**Wong Ka Wah, Albert**  
*Chairman and Executive Director*

**Hong Sze Lung**  
*Executive Director and Chief Executive Officer*

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Attributable to the owners of the Company										
	Share capital	Share premium	Warrants reserve	Merger reserve	Share-based payment reserve	Translation reserve	Legal reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)			(Note b)				
At 1 April 2014	13,491	168,514	6,039	(4,246)	17,313	(556)	485	(132,197)	68,843	220	69,063
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(78)	-	-	(78)	-	(78)
Loss for the year	-	-	-	-	-	-	-	(202,603)	(202,603)	(558)	(203,161)
Total comprehensive expense for the year	-	-	-	-	-	(78)	-	(202,603)	(202,681)	(558)	(203,239)
Issue of shares upon placing	7,740	216,399	-	-	-	-	-	-	224,139	-	224,139
Issue of shares upon exercise of share options	140	3,500	-	-	-	-	-	-	3,640	-	3,640
Transaction costs attributable to issue of shares	-	(8,626)	-	-	-	-	-	-	(8,626)	-	(8,626)
Transfer upon exercise of share options	-	1,777	-	-	(1,777)	-	-	-	-	-	-
Transfer upon lapse of share options	-	-	-	-	(98)	-	-	98	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	15,635	-	-	-	15,635	-	15,635
Transfer upon lapse of warrants	-	-	(2,512)	-	-	-	-	2,512	-	-	-
Change in shareholding in subsidiary without losing control	-	-	-	-	-	-	-	-	-	150	150
At 31 March 2015	21,371	381,564	3,527	(4,246)	31,073	(634)	485	(332,190)	100,950	(188)	100,762
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(156)	-	-	(156)	-	(156)
(Loss) profit for the year	-	-	-	-	-	-	-	(49,893)	(49,893)	423	(49,470)
Total comprehensive (expense) income for the year	-	-	-	-	-	(156)	-	(49,893)	(50,049)	423	(49,626)
Issue of shares upon placing	5,420	69,260	-	-	-	-	-	-	74,680	-	74,680
Issue of shares upon acquisition of a subsidiary	600	6,360	-	-	-	-	-	-	6,960	-	6,960
Issue of shares by rights issue	13,696	82,174	-	-	-	-	-	-	95,870	-	95,870
Transaction costs attributable to issue of shares	-	(5,925)	-	-	-	-	-	-	(5,925)	-	(5,925)
Change in shareholding in subsidiary without losing control	-	-	-	-	-	-	-	-	-	(27)	(27)
At 31 March 2016	41,087	533,433	3,527	(4,246)	31,073	(790)	485	(382,083)	222,486	208	222,694

## Notes:

- (a) The merger reserve of the Group arose as a result of the reorganisation of the Group implemented in preparation for the listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
- (b) Legal reserve represented reserve retained in accordance with the Article 377 of the Macau Commercial Code for the entities incorporated in Macau. The legal reserve represented the amount set aside from the consolidated statement of profit or loss and other comprehensive income and is not distributable to the owners.



**Consolidated Statement of Cash Flows***For the year ended 31 March 2016*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	<b>(49,506)</b>	(221,712)
Adjustments for:		
Impairment loss recognised in respect of goodwill	–	29,657
Impairment loss in respect of intangible assets	–	95,935
Impairment loss recognised in respect of other receivables	<b>9,500</b>	–
Impairment loss recognised in respect of property, plant and equipment	<b>6,894</b>	–
Change in fair value of held-for-trading investments	<b>(19,519)</b>	–
Loss on loan to an investee	<b>4,756</b>	–
Depreciation of property, plant and equipment	<b>1,648</b>	1,768
Amortisation of intangible assets	<b>2,218</b>	17,482
Share of profits of associates	<b>(2,787)</b>	(775)
Interest expense	<b>3,892</b>	20,572
Interest income	<b>(6,558)</b>	(2,436)
Imputed interest income from loans to investees	<b>(539)</b>	–
Share-based payments	–	15,635
Operating cash flows before movements in working capital	<b>(50,001)</b>	(43,874)
Decrease (increase) in inventories	<b>120</b>	(30)
Increase in held-for-trading investments	<b>(63,754)</b>	–
Decrease in trade receivables	<b>1,164</b>	8,626
Increase in loans receivable	<b>(18,093)</b>	(21,725)
Decrease (increase) in prepayments, deposits and other receivables	<b>6,437</b>	(31,496)
Decrease in trade payables	<b>(1,744)</b>	(8,515)
Increase in accruals and other payables	<b>941</b>	2,455
Net cash used in operation	<b>(124,930)</b>	(94,559)
Interest received from money lending operation	<b>6,036</b>	1,931
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(118,894)</b>	(92,628)
<b>INVESTING ACTIVITIES</b>		
Acquisition of intangible assets	<b>(1,600)</b>	(20,000)
Loan to an associate	<b>(299)</b>	(8,701)
Repayment from an associate	<b>500</b>	466
Loans to investees	<b>(11,198)</b>	–
Purchase of property, plant and equipment	<b>(46)</b>	(15)
Deposits paid for acquisition	–	(10,000)
Advances to third parties	<b>(4,500)</b>	–

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	<i>NOTES</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Interest received		<b>22</b>	505
Net cash outflow on acquisition of a subsidiary	<i>33</i>	<b>(2,374)</b>	–
Cash outflow on disposal of subsidiaries	<i>34</i>	<b>(916)</b>	–
Purchase of available-for-sale investments		<b>(2)</b>	–
Proceed from change in shareholding in a subsidiary without losing control		–	150
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(20,413)</b>	<b>(37,595)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of bank borrowings		<b>(1,309)</b>	–
Repayment of bonds		<b>(3,000)</b>	(91,000)
Repayment of promissory note		<b>(3,080)</b>	(23,000)
New other borrowings raised		–	20,000
Acquisition of additional interests in a subsidiary		<b>(27)</b>	–
Issue of shares upon placing	<i>31</i>	<b>74,680</b>	227,779
Issue of shares upon rights issue	<i>31</i>	<b>95,870</b>	–
Issue of bonds and warrants		–	3,000
Issue of promissory note		–	3,080
Transaction costs attributable to issue of shares, bonds and warrants		<b>(5,925)</b>	(8,626)
Interest paid		<b>(3,562)</b>	(10,403)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>153,647</b>	<b>120,830</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>14,340</b>	<b>(9,393)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>9,379</b>	<b>18,850</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(5)</b>	<b>(78)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>23,714</b>	<b>9,379</b>
<b>REPRESENTED BY:</b>			
Bank balances and cash		<b>23,969</b>	9,379
Bank overdrafts		<b>(255)</b>	–
		<b>23,714</b>	<b>9,379</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

### 1. GENERAL

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the Growth Enterprise Market of the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information to the annual report.

The Company acts as an investment holding company. The principal activities and other details of its subsidiaries are set out in note 42.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

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

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

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>1</sup>
HKFRS 16	Leases <sup>4</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>2</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers <sup>1</sup>
Amendments to HKAS 1	Disclosure initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants <sup>2</sup>
Amendments to HKAS 27	Equity method in separate financial statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception <sup>2</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided HKFRS 15 is also adopted

#### HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group’s available-for-sale financial assets which are currently stated at cost less impairment and will be measured at fair value upon adoption as well as the impairment of financial assets will be provided on expected credit loss model to reflect changes in credit risk since initial recognition. Presently, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

#### **HKFRS 15 “Revenue from contracts with customers”**

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

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

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

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

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

#### **HKFRS 16 Leases**

HKFRS 16, which will be effective for annual periods beginning on or after 1 January 2019 and will supersede HKAS 17 Leases, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments.

Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 – Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

As set out in note 35, total operating lease commitment of the Group in respect of leased premises as at 31 March 2016 amounted to HK\$8,527,000. The directors of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company anticipates that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

The provisions of the new Hong Kong Companies Ordinance regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

The principal accounting policies are set out below.

#### **Basis of consolidation**

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

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### **Business combinations**

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income taxes” and HKAS 19 “Employee benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based payment” at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that Standard.

Goodwill is measured as the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

#### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

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

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

#### **Interests in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date of which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held-for-sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

#### **Revenue recognition**

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

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

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

Deposits received from purchases prior to meeting the above criteria for revenue recognition are included in consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.



**Property, plant and equipment**

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

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

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

**Inventories**

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

**Intangible assets acquired separately**

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

**Intangible assets acquired in a business combination**

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

Subsequent to initial recognition, intangible assets with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

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

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

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

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

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

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. 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 as and included in profit or loss under the finance costs in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

#### **Taxation**

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

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

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

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

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

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

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

Current and deferred tax is recognised in profit or loss.

#### **Leasing**

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

#### ***The Group as lessee***

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

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**Retirement benefit costs**

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

**Financial instruments**

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

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

***Financial assets***

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

***Effective interest method***

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

***Financial assets at FVTPL***

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

A financial asset is classified as held-for-trading if:

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

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

#### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

#### *Loans and receivables*

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

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

#### *Impairment of financial assets*

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

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

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

For certain categories of loans and receivables, such as trade receivables and loans receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

#### ***Financial liabilities and equity instruments***

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

#### ***Equity instruments***

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

#### ***Warrants***

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The fair value of warrants at initial recognition are recognised in equity (warrants reserve). The warrants reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to accumulated losses.

#### ***Financial liabilities***

Financial liabilities including trade payables, accruals and other payables, bank overdrafts, bank borrowings, promissory note, bonds and other borrowings are subsequently measured at amortised cost, using the effective interest method.

#### ***Effective interest method***

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

#### ***Derivative financial instruments***

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments are recognised as derivative financial instruments with the exception of contracts that were entered into and continued to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

#### ***Derecognition***

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Share-based payment transactions**

##### *Share options granted to employees*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as expense immediately if the share options granted will vest immediately, with a corresponding increase in equity (share-based payment reserve).

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

The Group recognises an expense for the services rendered by employees and when these services are received. When the employees began rendering their services in respect of a particular grant of share option prior to the grant date of that grant, the Group estimates the grant date fair value of the equity instrument by estimating the fair value of the equity instrument at the end of the reporting period for the purposes of recognising the services received. Once the date of grant has been established, the Group revises the earlier estimate to the grant date fair value of equity instrument.

##### *Share options granted to consultants*

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the counterparties render services, unless the services qualify for recognition as assets.

#### **4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

##### **Estimated impairment of goodwill, property, plant and equipment and intangible assets**

Determining whether goodwill, property, plant and equipment and intangible assets are impaired requires an estimation of recoverable amounts of the property, plant and equipment, intangible assets or the respective cash generating units (“CGU”) in which the goodwill, property, plant and equipment and intangible assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. During the year ended 31 March 2016, the Group recognised impairment losses in respect of goodwill of nil (2015: HK\$29,657,000), property, plant and equipment of HK\$6,894,000 (2015: nil) and intangible assets of nil (2015: HK\$95,935,000), respectively. As at 31 March 2016, the carrying amounts of goodwill, property, plant and equipment and intangible assets are HK\$34,279,000, HK\$1,448,000 and HK\$20,992,000 (2015: nil, HK\$9,987,000 and HK\$19,000,000), respectively.

##### **Impairment of interests in associates**

Determining whether interests in associates are impaired requires an estimation of the recoverable amount of the respective associates which is higher of value in use and fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the associates, suitable discount rates and the proceeds on ultimate disposal of the associates. Where the actual future cash flows are less than or more than expected or upon the management’s revision of estimated cash flows due to change in conditions, facts and circumstances, a material impairment loss or reversal of impairment loss may arise. As at 31 March 2016, the carrying amount of interests in associates is HK\$21,784,000 (2015: HK\$19,108,000) including accumulated impairment loss of HK\$35,441,000 (2015: HK\$35,441,000). Details of the value in use calculation are disclosed in note 16.

**Allowances for bad and doubtful debts**

When there is objective evidence that trade receivables, loans receivables, loans to associates and loans to investees may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed on initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2016, the carrying amounts of trade receivables, loans receivables, loans to associates and loans to investees are HK\$3,774,000, HK\$39,818,000, HK\$5,754,000 and HK\$11,654,000 (2015: HK\$1,803,000, HK\$21,725,000, HK\$14,455,000 and nil), respectively.

**Depreciation**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the periods. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expenses for future periods would be adjusted if there are significant changes from previous estimates. At 31 March 2016, the carrying amount of property, plant and equipment is HK\$1,448,000 (2015: HK\$9,987,000).

**5. FINANCIAL INSTRUMENTS****Categories of financial instruments**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	88,333	81,008
Held-for-trading investments	83,273	–
Available-for-sale investments	4,329	–
	<u>          </u>	<u>          </u>
Financial liabilities		
Amortised cost	49,028	52,460
	<u>          </u>	<u>          </u>

**Financial risk management objectives and policies**

The Group's major financial instruments include available-for-sale investments, held-for-trading investments, trade receivables, loans receivables, other receivables and deposits, loans to associates, cash and cash equivalents, trade payables, accruals and other payables, bank overdrafts, bank borrowings, promissory note, bonds and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk***(i) Currency risk*

Certain cash and cash equivalents, trade receivables and trade payables of the Group are denominated in foreign currencies which are different from functional currencies of respective group entities. As at 31 March 2016 and 2015, cash and cash equivalents, trade receivables and trade payables of respective group entities denominated in foreign currencies were immaterial. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Interest rate risk*

The Group's cash flow interest rate risk primarily relates to the variable-rate cash and cash equivalents as well as floating-rate bank overdrafts and bank borrowings (note 26). The Group is also exposed to fair value interest rate risk in relation to its fixed-rate loans to associates (note 16), fixed-rate loans receivables (note 22), fixed-rate loans to investees (note 23), fixed-rate bank borrowings (note 26), fixed-rate promissory note (note 27), fixed-rate bonds (note 28) and fixed-rate other borrowings (note 29). The Group currently does not have interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime rate arising from the Group's Hong Kong dollar denominated borrowings.

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate cash and cash equivalents, variable-rate bank overdrafts and bank borrowings as a result of the change of market interest rate is insignificant due to its short-term maturity and thus no sensitivity analysis is prepared for interest rate risk.

(iii) *Price risk*

The Group is exposed to price risk through its natural resources trading business of which their prices fluctuate directly with the commodity price (i.e. price of magnetite sand concentrate and palm oil). The commodity price is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuation in commodity prices may have favourable or unfavourable impacts to the Group. The management considered that the price risk is mitigated through entering into corresponding contracts with customers and the Group's pricing policy in relation to the suppliers' and customers' contracts. Accordingly, the exposure of the Group to price risk is considered insignificant by the management of the Group and hence no sensitivity analysis is presented.

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. In addition, the Group has delegated the financial controller of the Group to monitor the price risk and will consider hedging the risk exposure should the need arise.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period excluding available-for-sale investments measured at cost less impairment. For sensitivity analysis purpose, the sensitivity rate is set as 10% as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% higher/lower, the loss for the year ended 31 March 2016 would decrease/increase by HK\$8,327,000 (2015: nil) as a result of the change in fair value of held-for-trading investments.

*Credit risk*

As at 31 March 2016, the Group's credit risk is primarily attributable to trade receivables, loans receivables, refundable deposit paid for acquisition of an entity, loans to associates, loans to investees and cash and cash equivalents. As at 31 March 2015, the Group's credit risk is primarily attributable to trade receivables, loans receivables, refundable deposit paid for acquisition of an entity, loans to associates and cash and cash equivalents.

As at 31 March 2016 and 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has significant concentration of credit risk on loans to associates as the credit risk is attributable to one counterparty (2015: two counterparties) at 31 March 2016. The Group also had concentration of credit risks on loans receivables, loans to investees and refundable deposit paid for acquisition of an entity of HK\$39,818,000 (2015: HK\$21,725,000), HK\$11,654,000 (2015: nil) and HK\$500,000 (2015: HK\$10,000,000), respectively as at 31 March 2016. The directors of the Company continuously monitors the credit quality and financial conditions of these counterparties and the level of exposure to ensure the follow-up action is taken to recover the debt.



As at 31 March 2016, held-for-trading investments of HK\$80,446,000 (2015: nil) are held under a broker's custodian account.

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

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

#### *Liquidity risk*

The Group manages its liquidity risk by monitoring and maintaining a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensure compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Within 1 year or repayable on demand HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
<b>At 31 March 2016</b>							
Trade payables	-	1,883	-	-	-	1,883	1,883
Accruals and other payables	-	6,980	-	-	-	6,980	6,980
Bank overdrafts	6.56	255	-	-	-	255	255
Bank borrowings							
- fixed-rate	9.57	681	-	-	-	681	681
- floating-rate	6.75	504	-	-	-	504	504
Bonds	5.2	11,200	-	10,000	-	21,200	17,663
Other borrowings	12.0	22,400	-	-	-	22,400	21,062
		<u>43,903</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>53,903</u>	<u>49,028</u>
<b>At 31 March 2015</b>							
Trade payables	-	1,284	-	-	-	1,284	1,284
Accruals and other payables	-	6,701	-	-	-	6,701	6,701
Promissory note	10.0	3,435	-	-	-	3,435	3,299
Bonds	5.8	13,800	-	-	10,000	23,800	20,115
Other borrowings	12.0	2,400	22,400	-	-	24,800	21,061
		<u>27,620</u>	<u>22,400</u>	<u>-</u>	<u>10,000</u>	<u>60,020</u>	<u>52,460</u>

Bank borrowings with a repayment on demand clause are included in the “within 1 year or repayable on demand” time band in the above maturity analysis. As at 31 March 2016, the aggregate carrying amounts of these bank borrowings was amounted to HK\$1,185,000 (2015: nil). Taking into account the Group’s financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management reviews the expected cash flows information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements and set out in the table below:

	Weighted average effective interest rate %	Within 1 year HK\$’000	Between 1 to 2 years HK\$’000	Total undiscounted cash flows HK\$’000	Total carrying amount HK\$’000
Bank borrowings:					
At 31 March 2016					
– fixed-rate	9.57	631	125	756	681
– floating-rate	6.75	354	177	531	504
		<u>985</u>	<u>302</u>	<u>1,287</u>	<u>1,185</u>

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

#### Fair value measurements of financial instruments

##### *Fair value of the Group’s financial assets that are measured at fair value on a recurring basis*

The Group’s held-for-trading investments 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 are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at 31 March 2016	Fair value hierarchy	Valuation technique and key inputs
Held-for-trading investments – listed securities	HK\$83,273,000 (2015: nil)	Level 1	Quoted share prices in an active market

There is no transfer between different levels of the fair value hierarchy for the year ended 31 March 2016.

##### *Fair value of the Group’s financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

## 6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided by the Group, net of discounts and sales related taxes for both years.

#### Segment revenue and results

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group’s chief operating decision makers (the “CODM”), for the purposes of resource allocation and performance assessment.

On 12 October 2015, the Company acquired the entire issued share capital of MD Inc. Limited (“MD”), which engaged in the sale of consumer products. Accordingly, a new operating segment is established. During the year ended 31 March 2016, the Group also engaged in another new operating segment, investment in securities in Hong Kong.

In addition, because the distribution of sports cars and 3D phone operations are still in the preparation stage and no revenue is generated during the year, these operations are not included in the internal reports provided to the CODM and hence not considered as operating segments.

During the year ended 31 March 2016, the Group’s reportable and operating segments are therefore as follows:

- (a) the natural resources and commodities business segment engages in the trading of natural resources and commodities including but not limited to iron ore concentrate, coal and crude palm oil etc. (“Natural Resources and Commodities”);
- (b) the manufacturing and trading of packaged food (i.e. noodles) (“Packaged Food”);
- (c) the money lending business (“Money Lending”);
- (d) the investments in securities in Hong Kong (“Investments in Securities”); and
- (e) the trading of fashion items and camera bags (“Trading of Consumer Products”).

The following is an analysis of the Group’s revenue and results by operating and reportable segment.

	Revenue		Segment (loss) profit	
	For the year ended		For the year ended	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Natural Resources and Commodities	48,014	260,613	(978)	(2,108)
Packaged Food	14,760	14,750	(1,879)	(499)
Money Lending	6,036	1,931	993	(1,377)
Investment in Securities	–	–	19,519	–
Trading of Consumer Products	4,848	–	(1,436)	–
<b>Total</b>	<b>73,658</b>	<b>277,294</b>	<b>16,219</b>	<b>(3,984)</b>
Interest income			1,061	505
Amortisation of intangible assets			(2,218)	(17,482)
Impairment loss recognise in respect of goodwill			–	(29,657)
Impairment losses recognise in respect of intangible assets			–	(95,935)
Impairment loss recognised in respect of other receivables			(9,500)	–
Impairment loss recognised in respect of property, plant and equipment			(6,894)	–
Loss on loan to an investee			(4,756)	–
Share of profits of associates			2,787	775
Unallocated corporate expenses			(44,819)	(56,423)
Finance costs			(1,386)	(19,511)
Loss before taxation			<b>(49,506)</b>	<b>(221,712)</b>

All of the segment revenue reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of interest income, amortisation of intangible assets, impairment losses recognised in respect of goodwill, intangible assets, other receivables and property, plant and equipment, loss on loan to an investee, share of profits of associates, unallocated corporate expenses and certain finance costs. This is the measure reported to the Group's CODM for the purpose of resource allocation and performance assessment. The CODM only focuses on monitoring segment performances without reviewing segment assets and liabilities. Accordingly, no segment assets and segment liabilities are presented.

#### Other segment information

For the year ended 31 March 2016

	Natural resources and commodities <i>HK\$'000</i>	Packaged Food <i>HK\$'000</i>	Money Lending <i>HK\$'000</i>	Investment in Securities <i>HK\$'000</i>	Trading of Consumer Products <i>HK\$'000</i>	Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment results:								
Depreciation of property, plant and equipment	-	1,416	-	-	-	1,416	232	1,648
Finance costs	-	-	2,428	-	78	2,506	1,386	3,892

For the year ended 31 March 2015

	Natural resources and commodities <i>HK\$'000</i>	Packaged Food <i>HK\$'000</i>	Money Lending <i>HK\$'000</i>	Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment results:						
Depreciation of property, plant and equipment	-	1,533	-	1,533	235	1,768
Finance costs	-	-	1,061	1,061	19,511	20,572

#### Revenue from major products and services

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales of:		
Crude palm oil	48,014	258,158
Packaged Food	14,760	14,750
Other natural resources products	-	2,455
Fashion items and camera bags	4,848	-
Interest income from money lending business	6,036	1,931
	73,658	277,294

**Geographical information**

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets (excluding financial assets) respectively are detailed below:

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	7,986	1,736	63,589	19,654
The People's Republic of China (the "PRC") (except Hong Kong)	17,658	16,783	18,000	28,441
Indonesia	48,014	258,158	–	–
Others	–	617	–	–
	<u>73,658</u>	<u>277,294</u>	<u>81,589</u>	<u>48,095</u>

**Information about major customers**

Revenue from customers of the corresponding years individually contributing over 10% of total sales of the Group, deriving revenue from the Group's reportable and operating segment, are as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A	20,978 <sup>1</sup>	110,684 <sup>1</sup>
Customer B	13,091 <sup>1</sup>	93,393 <sup>1</sup>
Customer C	13,945 <sup>1</sup>	54,081 <sup>1</sup>
	<u>48,014</u>	<u>258,158</u>

<sup>1</sup> These revenue are derived from the Group's Natural Resources and Commodities segment.

**7. OTHER INCOME**

	2016 HK\$'000	2015 HK\$'000
Bank interest income	22	5
Interest income from loan to an associate	500	500
Imputed interest income from loans to investees	539	–
Others	35	134
	<u>1,096</u>	<u>639</u>

**8. OTHER GAINS AND LOSSES, NET**

	2016 HK\$'000	2015 HK\$'000
Change in fair value of held-for-trading investments	19,519	–
Net foreign exchange gain	25	–
Impairment loss recognised in respect of other receivables	(9,500)	–
Impairment loss recognised in respect of property, plant and equipment	(6,894)	–
Loss on loan to an investee (note 23(ii))	(4,756)	–
	<u>(1,606)</u>	<u>–</u>

## 9. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interests on bank overdrafts and bank borrowings	78	–
Interests on other borrowings	2,428	1,061
Effective interests on promissory note	38	4,425
Effective interests on bonds	1,348	15,086
	<u>3,892</u>	<u>20,572</u>

## 10. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS

## Directors' and chief executive emoluments

The emoluments paid or payable to each of the 9 (2015: 9) directors were as follows:

	For the year ended 31 March 2016				Total emoluments HK\$'000
	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Bonus HK\$'000 (Note 1)	Retirement benefits scheme contributions HK\$'000	
<b>Executive directors</b>					
Mr. Wong Ka Wah, Albert	–	2,625	1,350	18	3,993
Mr. Hong Sze Lung (Note 4)	–	1,313	1,870	18	3,201
Mr. Kwong Yuk Lap (Note 2)	–	250	–	8	258
<b>Non-executive directors</b>					
Mr. Kwong Yuk Lap (Note 2)	105	–	–	–	105
Mr. Lau Wan Pui, Joseph	180	–	–	–	180
Mr. Law Chung Lam, Nelson	180	480	–	18	678
Mr. Lu Xianglong (Note 3)	12	–	–	–	12
<b>Independent non-executive directors</b>					
Mr. Leung Ka Tin	240	–	–	–	240
Mr. Tam Chak Chi	240	–	–	–	240
Mr. Chow Chi Fai	240	–	–	–	240
Total emoluments	<u>1,197</u>	<u>4,668</u>	<u>3,220</u>	<u>62</u>	<u>9,147</u>

## Notes:

- (1) Incentive performance bonus for the year ended 31 March 2016 was determined by the remuneration committee having regard to the performance and duties of directors and the Group's operating results.
- (2) Mr. Kwong Yuk Lap was re-designated as an executive director on 1 November 2015.
- (3) Mr. Lu Xianglong was appointed on 24 February 2016.
- (4) Mr. Hung Sze Lung is also the chief executive and his emoluments disclosed above include those for services rendered by him as the chief executive.

For the year ended 31 March 2015

	Directors' fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Bonus <i>HK\$'000</i> <i>(Note 1)</i>	Share-based payments <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
<b>Executive directors</b>						
Mr. Wong Ka Wah, Albert	-	2,500	600	-	18	3,118
Mr. Hong Sze Lung <i>(Note 4)</i>	-	1,250	600	-	18	1,868
<b>Non-executive directors</b>						
Mr. Lau Wan Pui, Joseph	180	-	-	-	-	180
Mr. Law Chung Lam, Nelson	180	300	-	-	9	489
Mr. Kwong Yuk Lap	180	-	-	156	-	336
<b>Independent non-executive directors</b>						
Mr. Leung Ka Tin <i>(Note 2)</i>	166	-	-	78	-	244
Mr. Tam Chak Chi	240	-	-	-	-	240
Mr. Chow Chi Fai	240	-	-	-	-	240
Mr. May Tai Keung, Nicholas <i>(Note 3)</i>	80	-	-	-	-	80
Total emoluments	<u>1,266</u>	<u>4,050</u>	<u>1,200</u>	<u>234</u>	<u>45</u>	<u>6,795</u>

*Notes:*

- (1) Incentive performance bonus for the year ended 31 March 2015 was determined by the remuneration committee having regard to the performance and duties of directors and the Group's operating results.
- (2) Mr. Leung Ka Tin was appointed on 23 July 2014.
- (3) Mr. May Tai Keung, Nicholas was resigned on 31 July 2014.
- (4) Mr. Hung Sze Lung was also the chief executive and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. No directors of the Company waived any emoluments during the years ended 31 March 2016 and 2015.

**Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2015: two) individuals are as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, bonus and other benefits	<b>3,266</b>	1,794
Contributions to retirement benefits schemes	<b>18</b>	35
Share-based payments	–	231
	<b>3,284</b>	2,060

Their emoluments were within the following bands:

	<b>2016</b> <b>Number of</b> <b>employees</b>	2015 Number of employees
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	<b>2</b>	–

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals during the years ended 31 March 2016 and 2015 as an inducement to join or upon joining the Group or as compensation for loss of office.

**11. TAXATION**

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Tax credit comprise of:		
Deferred tax credit (note 30)	<b>36</b>	18,551

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for Hong Kong Profits Tax has been made for both years as the Group did not generate any assessable profits arising in Hong Kong.

According to the current applicable laws of the Macau Special Administrative Region, Macau Complementary Tax is calculated at a progressive rate from 9% to 12% (2015: 9% to 12%) on the estimated assessable profits for the year with the first two hundred thousand Patacas ("MOP") assessable profits being free from tax. However, Greenfortune (Macao Commercial Offshore) Limited ("Greenfortune"), wholly-owned subsidiary of the Company, operating in Macau during the year is in compliance with the Decree-Law No. 58/99/M of Macau Special Administrative Region, and thus, the profits generated by the subsidiary is exempted from the Macau Complementary Tax. No provision for profits tax in Macau has been made for both years as the Group did not generate any assessable profits arising in Macau.



The taxation 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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before taxation	<u>(49,506)</u>	<u>(221,712)</u>
Tax at the income tax rate of 16.5% (2015: 16.5%)	8,168	36,582
Tax effect of expenses not deductible for tax purposes	(6,892)	(13,809)
Tax effect of income not taxable for tax purposes	93	17
Tax effect of the tax losses not recognised	(1,793)	(4,394)
Tax effect of share of results of an associate	460	128
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	27
Taxation for the year	<u>36</u>	<u>18,551</u>

## 12. LOSS FOR THE YEAR

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Auditor's remuneration	1,200	1,200
Cost of inventories recognised as an expense	62,315	270,695
Depreciation of property, plant and equipment	1,648	1,768
Amortisation an intangible assets (included in other expenses)	2,218	17,482
Operating lease rentals in respect of land and buildings	4,229	3,588
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	19,811	12,465
– Share-based payments	–	620
– Contributions to retirement benefits schemes	1,401	1,265
Total staff costs	21,212	14,350
Share-based payments to consultants (included in other expenses)	–	15,015
Legal and professional fees for corporate transactions (included in other expenses)	7,426	1,838
Sponsorship and marketing fee for corporate activities (included in other expenses)	7,470	3,010

## 13. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: nil).

## 14. LOSS PER SHARE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(49,893)</u>	<u>(202,603)</u>

2016

2015  
(restated)**Number of shares**

Weighted average number of ordinary shares

for the purposes of basic and diluted loss per share

**2,895,308,362****1,763,272,318**

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 March 2015 have been restated to reflect the impact of rights issue in January 2016.

The computation of diluted loss per share for the years ended 31 March 2016 and 2015 do not assume the exercise of the Company's share options and warrants as they would reduce loss per share.

**15. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 April 2014	2,299	12,592	2,411	370	17,672
Additions	–	9	6	–	15
Disposals	–	(10)	–	–	(10)
At 31 March 2015	2,299	12,591	2,417	370	17,677
Effect of foreign exchange difference	(38)	(73)	(51)	(14)	(176)
Additions	–	5	41	–	46
Disposals	–	(3)	–	–	(3)
At 31 March 2016	2,261	12,520	2,407	356	17,544
<b>DEPRECIATION AND IMPAIRMENT</b>					
At 1 April 2014	1,084	2,858	1,868	122	5,932
Provided for the year	341	1,240	120	67	1,768
Eliminated on disposals	–	(10)	–	–	(10)
At 31 March 2015	1,425	4,088	1,988	189	7,690
Effect of foreign exchange difference	(28)	(53)	(44)	(8)	(133)
Provided for the year	338	1,135	110	65	1,648
Impairment	–	6,894	–	–	6,894
Eliminated on disposals	–	(3)	–	–	(3)
At 31 March 2016	1,735	12,061	2,054	246	16,096
<b>CARRYING VALUES</b>					
At 31 March 2016	526	459	353	110	1,448
At 31 March 2015	874	8,503	429	181	9,987

The above items of property, plant and equipment are depreciated on straight-line basis to their residual values at the following rates per annum:

Leasehold improvements	10% – 20%
Plant and machinery	10% – 20%
Furniture and equipment	10% – 20%
Motor vehicles	20%

During the year ended 31 March 2016, there was unexpected unfavorable performance in the Packaged Food business which was due to the escalating costs in raw materials and direct labour and downturn in global economy. The Group decides to cease the Packaged Food Business and the management conducted an impairment assessment of the property, plant and equipment of the Packaged Food Business. The recoverable amount is the higher of value in use and fair value less costs of disposal. An impairment loss of HK\$6,894,000 has been recognised for the property, plant and equipment as the recoverable amount is less than the carrying amount.

#### 16. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES

	2016 HK\$'000	2015 HK\$'000
Costs of investments in associates		
Unlisted	100,274	100,274
Share of post-acquisition results and other comprehensive expenses	(43,049)	(45,725)
Less: Impairment loss	(35,441)	(35,441)
	<u>21,784</u>	<u>19,108</u>
Loans to associates (Non-current assets)	–	5,754
Loans to associates (current assets)	5,754	8,701
	<u>5,754</u>	<u>14,455</u>
Total	<u>5,754</u>	<u>14,455</u>

As at 31 March 2016 and 2015, the Group had interests in the following associate:

Name of entity	Form of business structure	Country of incorporation/ establishment	Principal place of operation	Class of share held	Proportion of equity interest held by the Group		Proportion of voting power held by the Group		Principal activities
					2016 %	2015 %	2016 %	2015 %	
Goldenbase	Incorporated	Republic of Seychelles	Hong Kong	Registered capital	33.3	33.3	33.3	33.3	Investment holdings
Joyful Ease	Incorporated	British Virgin Islands	Hong Kong	Registered capital	N/A (Note)	49	N/A (Note)	49	Investment holdings
<b>Subsidiaries of Goldenbase</b>									
Royal Dragon Corporation Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares	33.3	33.3	33.3	33.3	Investment holdings
Royal Wish Resources Trading Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares	33.3	33.3	33.3	33.3	Coal trading
青海富譽恒盈資源有限公司	Incorporated	PRC	PRC	Registered capital	33.3	33.3	33.3	33.3	Coal trading
<b>Subsidiaries of Joyful Ease</b>									
Joy Access Corporation Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares	N/A (Note)	49	N/A (Note)	49	Operation of club and investments
FOVEA Club (HK) Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares	N/A (Note)	49	N/A (Note)	49	Operation of club and investments

*Note:* On 17 August 2015, the Group's equity interest in Joyful Ease was diluted from 49% to 19% as a result of capital injection by other shareholders to Joyful Ease. On the same day, the Group irrevocably surrendered its rights to vote at both meetings of shareholders and directors relating to financial and operating decisions of Joyful Ease. Against this background, the directors of the Company consider that the Group does not have significant influence on Joyful Ease as the board of directors of Joyful Ease is dominated by the controlling shareholder, and the Group merely has protective rights in attending the board meetings to oversee the daily operations carried out by Joyful Ease. Therefore, the investment in Joyful Ease is classified as "available-for-sale investment" in the consolidated statement of financial position.

The loan to Goldenbase Limited (“Goldenbase”) of HK\$5,754,000 (2015: HK\$5,754,000) is unsecured, interest-bearing at 10% (2015: 10%) per annum and repayable on or before 27 September 2016. Therefore, the amount is classified as current assets (2015: non-current assets) as at 31 March 2016.

As at 31 March 2015, the loan to Joyful Ease of HK\$8,701,000 was unsecured, interest-free. The directors of the Company expected that the repayment would take place within twelve months from the end of the reporting period, and hence the amount was classified as a current asset. During the year ended 31 March 2016, the amount due from Joyful Ease Limited (“Joyful Ease”) of HK\$9,000,000 is reclassified to prepayments, deposits and other receivables upon derecognition of Joyful Ease as interest in an associate (note 23(ii)).

The Group has not provided for impairment loss on loans to associates after assessment of the financial position and the future business development of the associates and the amounts are still considered recoverable as at 31 March 2016 and 2015.

The summarised consolidated financial information in respect of the Group’s associates are set out below:

All of these associates are accounted for using the equity method in these consolidated financial statements.

#### Goldenbase and its subsidiaries

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current assets	<u>62,059</u>	<u>39,721</u>
Non-current assets	<u>2,606</u>	<u>3,035</u>
Current liabilities	<u>(56,281)</u>	<u>(42,132)</u>
	<b>Year ended 31 March 2016 <i>HK\$'000</i></b>	<b>Year ended 31 March 2015 <i>HK\$'000</i></b>
Revenue	<u>306,220</u>	<u>341,426</u>
Profit for the year	<u>8,361</u>	<u>2,326</u>
Other comprehensive expense for the year	<u>(338)</u>	<u>–</u>
Profit and total comprehensive income for the year	<u>8,023</u>	<u>2,326</u>

There are no significant restrictions on the ability of Goldenbase to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interests in Goldenbase recognised in the consolidated financial statements:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net assets of Goldenbase	8,384	624
Proportion of the Group’s equity interests in Goldenbase	33.3%	33.3%
Group’s share of net assets of Goldenbase	2,794	208
Others	657	567
Goodwill	<u>18,333</u>	<u>18,333</u>
Carrying amount of the Group’s interests in Goldenbase	<u>21,784</u>	<u>19,108</u>

**Joyful Ease and its subsidiary**

As disclosed in Note above, Joyful Ease ceased to be an associate of the Group on 17 August 2015. The financial information disclosed below represents the results of Joyful Ease prior to the disposal.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current assets	<u>N/A</u>	<u>1,726</u>
Non-current assets	<u>N/A</u>	<u>9,469</u>
Current liabilities	<u>N/A</u>	<u>(11,642)</u>
Net liabilities	<u>N/A</u>	<u>(447)</u>
	<b>1.4.2015</b>	1.4.2014
	to	to
	<b>17.8.2015</b>	31.3.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>-</u>	<u>-</u>
Loss and total comprehensive expense for the period/year	<u>(3,444)</u>	<u>(447)</u>

There are no significant restrictions on the ability of Joyful Ease to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interests in Joyful Ease recognised in the consolidated financial statements:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net liabilities of Joyful Ease	N/A	(447)
Proportion of the Group's equity interests in Joyful Ease	N/A	49%
Carrying amount of the Group's interests in Joyful Ease	<u>N/A</u>	<u>-</u>
The unrecognised share of loss of Joyful Ease for the year	<u>N/A</u>	<u>(219)</u>

The directors of the Company carried out impairment review during the years ended 31 March 2016 and 2015 on the carrying amount of its interest in Goldenbase individually as a single asset by comparing its recoverable amount based on the higher of value in use and fair value less costs of disposal with its carrying amount. In determining the value in use of the investment, the Group, by making reference to a business valuation performed by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group, estimated the present value of the estimated future cash flows expected to arise from the dividend to be received from the associate and from its ultimate disposal, by using discount rate of 14.55% (2015: 14.6%) to discount the cash flow projections to net present values. No impairment loss was recognised during the years ended 31 March 2016 and 2015.

## 17. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 April 2014 and 31 March 2015	29,657
Acquisition of a subsidiary (note 33)	34,279
Disposal of subsidiaries (note 34)	<u>(29,657)</u>
At 31 March 2016	<u><u>34,279</u></u>
IMPAIRMENT	
At 1 April 2014	–
Impairment loss recognised	<u>29,657</u>
At 31 March 2015	29,657
Disposal of subsidiaries (note 34)	<u>(29,657)</u>
At 31 March 2016	<u><u>–</u></u>
CARRYING VALUES	
At 31 March 2016	<u><u>34,279</u></u>
At 31 March 2015	<u><u>–</u></u>

For the purpose of impairment testing during the year ended 31 March 2016, goodwill has been allocated to the CGU of sale of consumer products business segment. The recoverable amount of the CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-years period and discount rate of 11.06%. The growth rate is based on the budgeted growth rate of 3%, which is determined by management's expectations for the market development, and does not exceed the average long-term growth rate for the relevant industry. Other key assumption of the value in use calculation is based on the budgeted cash inflow/outflows which include budgeted sales and gross margin on respective products from the CGU. No impairment on goodwill was considered necessary during the year ended 31 March 2016 and management believes that any reasonably possible change in any of the assumption would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU as at 31 March 2016.

During the year ended 31 March 2015, the global market price of iron ore concentrate had been decreased from approximately US\$120 per tonne in early April 2014 to approximately US\$52 per tonne in late March 2015. The significant decrease in market price and the excessive global supply of iron ore concentrate affected the initiative of potential customers and suppliers in carrying out trades. Also, the Group was unable to sign additional trading contracts in iron ore concentrate, the management considered that there was no future cash flow generated from the CGU of trading of iron ore concentrate and a full impairment on goodwill of HK\$29,657,000 was recognised during the year ended 31 March 2015.

## 18. INTANGIBLE ASSETS

	Distribution right in 3D phone <i>HK\$'000</i>	Customer relationship <i>HK\$'000</i>	Distribution rights in sports cars <i>HK\$'000</i>	Trading contracts in magnetite sand concentrate ("Trading Contracts") <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 April 2014	–	–	–	125,000	125,000
Purchase	–	–	20,000	–	20,000
At 31 March 2015	–	–	20,000	125,000	145,000
Purchase	1,600	–	–	–	1,600
Acquisition of a subsidiary (note 33)	–	2,610	–	–	2,610
Disposal of subsidiaries (note 34)	–	–	–	(125,000)	(125,000)
At 31 March 2016	1,600	2,610	20,000	–	24,210
<b>AMORTISATION AND IMPAIRMENT</b>					
At 1 April 2014	–	–	–	12,583	12,583
Amortisation	–	–	1,000	16,482	17,482
Impairment loss recognised	–	–	–	95,935	95,935
At 31 March 2015	–	–	1,000	125,000	126,000
Amortisation	–	218	2,000	–	2,218
Disposal of subsidiaries (note 34)	–	–	–	(125,000)	(125,000)
At 31 March 2016	–	218	3,000	–	3,218
<b>CARRYING AMOUNTS</b>					
At 31 March 2016	1,600	2,392	17,000	–	20,992
At 31 March 2015	–	–	19,000	–	19,000

During the year ended 31 March 2016, Bright Billion Holdings Limited ("Bright Billion"), a wholly-owned subsidiary of the Company, signed another distribution agreement with a supplier, pursuant to which, Bright Billion was appointed as an authorised distributor and granted the right of distribution, marketing and service of a 3D phone "FOVEA" in India at a consideration of HK\$1,600,000 in cash. The distribution right in 3D phone has finite useful lives and are amortised on a straight-line basis over 5 years.

The intangible assets of customer relationship is acquired from the acquisition of a subsidiary during the year ended 31 March 2016 and is amortised on a straight-line basis over 6 years.

Trading Contracts represented contracts on the estimated profit margin to be derived from customer agreement and suppliers' agreements on trading of magnetite sand concentrate. Amortisation for contract based intangible assets with finite useful lives in which the trading volume for the related transaction cannot be reliably estimated is provided on a straight-line basis over the contract period.

During the year ended 31 March 2015, the global market price of iron ore concentrate has been decreased from approximately US\$120 per tonne in early April 2014 to approximately US\$52 per tonne in late March 2015. Given that the Trading Contracts with suppliers and customer are priced based on the prevailing market price at the date of the relevant transaction, the decrease in market price of iron ore concentrate affected the initiative of the trading parties in the transaction in particular the terms including in the Trading Contracts were no longer favourable to the suppliers. The suppliers have delayed the supply of iron ore concentrate because the suppliers' cost of mining and production outweigh the selling price as stated in the suppliers' agreements. In February 2015, the suppliers renegotiated the revised trading terms with the Group and accordingly, the Group also renegotiated with the customer in formulating a revised trading term so as to resume the business. No agreement was entered into with customer and suppliers on the revised timetable to resume the trading and selling/purchase price of the iron ore concentrate during the year ended 31 March 2015.

The management took into consideration of the subsequent iron ore concentrate price and the inability to obtain sufficient information to satisfy itself the ability of the customer and suppliers to resume the trading of iron ore concentrate, management decided to make a full impairment of HK\$95,935,000 against the remaining carrying amount of Trading Contracts during the year ended 31 March 2015.

During the year ended 31 March 2015, Bright Billion signed a distribution agreement with a supplier pursuant to which Bright Billion was appointed as an authorised distributor and granted the rights of distribution, marketing and service of sports cars "Gumpert Apollo" for 10 years at a consideration of HK\$20,000,000 in cash. The distribution rights have finite useful lives and are amortised on a straight-line basis over 10 years.

During the year ended 31 March 2016, there is a production delay by the supplier and delayed the commencement of distribution of sports cars business. As at 31 March 2016, the directors of the Company are still in the process of negotiation with the supplier for the extension of the license period and continue to amortise the distribution rights over the contractual period. The directors of the Company therefore reassessed the value of distribution rights in sports cars. For the purpose of impairment testing of distribution rights in sports cars during the year ended 31 March 2016, the recoverable amount of distribution rights in sports cars has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budget approved by management covering the remaining contract term and a discount rate of 13.81%. The key assumption of the value in use calculation of distribution rights in sports cars is based on the budgeted cash inflows/outflows that the distribution rights will be earned or expenses incurred through products sold.

#### 19. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials	545	612
Work in progress	133	38
Finished goods ( <i>Note</i> )	5,155	225
	<u>5,833</u>	<u>875</u>

*Note:* Finished goods include a demo sports car with cost of HK\$5,000,000 (2015: nil) as at 31 March 2016. In the opinion of the directors, the demo sports car is expected to be realised after one year.

#### 20. AVAILABLE-FOR-SALE INVESTMENTS/HELD-FOR-TRADING INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
<b>Available-for-sale investments</b>		
Unlisted equity securities	<u>4,329</u>	<u>–</u>

The unlisted available-for-sale equity investment is measured at fair value at initial recognition upon deemed disposal of Joyful Ease (details set out in note 16) on 17 August 2015. The fair value of investment in Joyful Ease is negligible which is approximate to its carrying value as at the date of deemed disposal.



In addition, on 20 January 2016, the Group entered into shareholders' agreements with an independent third party pursuant to which both parties agreed to invest into a company incorporated in Hong Kong, namely Ocean Group (Asia) Limited ("Ocean Group"). According to the agreements, the Group is required to pay HK\$10,000,000, representing investment cost of HK\$2,000 and shareholder's loan of HK\$9,998,000. The contribution represents 20% equity interest in Ocean Group. The directors of the Company consider that the Group does not have significant influence in Ocean Group based on the fact that the Group is not entitled to vote at shareholders meeting and does not have the right to appoint director. Therefore, the investment in Ocean Group of HK\$2,000 is classified as "available-for-sale investment" in the consolidated statement of financial position. The shareholder's loan is unsecured, interest free and provided to the investee based on percentage shareholding of respective shareholders. The directors of the Company expect that the shareholder's loan will be repaid after five years from the end of the reporting period, and hence the amount is classified as a non-current asset. Such non-current interest-free loan to investee is adjusted to its fair value. At initial recognition, the fair value adjustment of HK\$4,327,000 is capitalised to the cost of available-for-sale investments using effective interest rate of 11.96% per annum.

	2016 HK\$'000	2015 HK\$'000
<b>Held-for-trading investments</b>		
Listed securities:		
Equity securities listed in Hong Kong	<u>83,273</u>	<u>-</u>

## 21. TRADE RECEIVABLES

The Group's credit terms on Packaged Food business generally range from 30 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The Group allows an average credit period of 30 days to its customers from Trading of Consumer Products business. An ageing analysis of the trade receivables presented based on the invoice date (which is approximate the revenue recognition date) at the end of the reporting period is presented below.

	2016 HK\$'000	2015 HK\$'000
0 – 90 days	3,774	1,746
91 – 180 days	<u>-</u>	<u>57</u>
	<u>3,774</u>	<u>1,803</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. 100% (2015: 97%) of trade receivables that are neither past due nor impaired have strong credit quality. These customers have no default of payment in the past and have good credit rating attributable under the credit review procedures used by the Group, including profitability, liquidity, financial leverage and operational performance quality of the counterparties.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the credit creditworthiness and the past collection history of each client.

Included in the Group's trade receivables are debtors with aggregate carrying amount of nil (2015: HK\$57,000), which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is nil (2015: 105 days).

**Ageing of trade receivables which are past due but not impaired**

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
91 – 180 days	–	57

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables past due but not provided for as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers. Concentration of credit risk arising from trade receivables is limited due to the customer base being large and unrelated. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

**22. LOANS RECEIVABLES**

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured fixed-rate loans receivables	<b>22,292</b>	3,801
Secured fixed-rate loans receivables	<b>17,526</b>	17,924
Total	<b>39,818</b>	21,725
Analysed as:		
Non-current	<b>5,735</b>	240
Current	<b>34,083</b>	21,485
Total	<b>39,818</b>	21,725

As at 31 March 2016 and 2015, secured loans receivables are secured by the residential properties pledged.

The exposure of the Group's fixed-rate loans receivables to interest rate risks and their contractual maturity dates are as follows:

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>34,083</b>	21,485
More than one year, but not exceeding five years	<b>5,735</b>	240
Total	<b>39,818</b>	21,725

The Group seeks to apply strict control over its outstanding loans receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The loans receivable had contractual maturity dates between six months to a year (except for the one with maturity period of 5 years) as at 31 March 2016 and 2015. The interest rate for the fixed-rate loans receivable was ranged from 10% to 42% (2015: 10% to 42%) per annum.

Included in the Group's loans receivables are borrowers with aggregate carrying amount of approximately HK\$12,322,000 (2015: nil), which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the loans receivables and the amounts are still considered recoverable. An amount of HK\$8,351,000 (2015: nil) was secured by the respective residential properties pledged. The average age of these receivables is 132 days (2015: nil).

## Ageing of loans receivables which are past due but not impaired

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 90 days	8,351	–
Over 180 days	3,971	–
	<u>12,322</u>	<u>–</u>

There is no concentration of credit risk on loans receivables as the exposure spread over a number of customers.

The above loan receivables are arising from the money lending business.

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets:		
Refundable deposits paid for acquisition of an entity (Note i)	–	10,000
Other receivables and deposits	3,086	–
Loans to investees (Note ii)	11,654	–
	<u>14,740</u>	<u>10,000</u>
Current assets:		
Deposits paid for purchases (Note iii)	3,000	32,369
Refundable deposits paid for acquisition of an entity (Note i)	500	–
Other receivables, deposits and prepayments	8,707	14,587
	<u>12,207</u>	<u>46,956</u>

## Notes:

- (i) On 1 August 2014, the Company signed a memorandum of undertaking (“MOU”) with an independent third party (the “Vendor A”) in relation to the possible acquisition of 100% equity interest in Southernpec Singapore Storage and Logistics Limited, which is principally engaged in chartering of vessels in the PRC, Hong Kong, Singapore and the Southeast Asia region. On 9 October 2014, the Company signed a supplemental MOU with the Vendor A that the Company agrees to pay HK\$10,000,000 in cash to the Vendor A as a refundable deposits. The acquisition was subsequently suspended and the Company was under negotiation with the Vendor A for the recovery of deposit. On 17 March 2016, the Company has reached a settlement agreement (the “Settlement Agreement”) with the Vendor A. Pursuant to the Settlement Agreement, the Vendor A irrevocably covenants the Company that the Vendor A shall pay to the Company a sum of HK\$5,000,000 by instalments over a period of 18 months from the date of the Settlement Agreement as the full and final settlement of the deposit. As at 31 March 2016, an amount of HK\$500,000 (2015: nil) is classified as current assets, which is expected to be settled within twelve months after the end of reporting period. The management considered the recoverability of remaining balance of HK\$9,500,000 (2015: nil) as remote, accordingly, full impairment of this HK\$9,500,000 (2015: nil) was made during the year ended 31 March 2016.

- (ii) The balance represents shareholder’s loans to Joyful Ease and Ocean Group of which are unsecured and interest-free.

The directors of the Company expect that the shareholder’s loan to Joyful Ease with principal amount of HK\$9,000,000 will be repaid after five years from the date of derecognition of interest in Joyful Ease to available-for-sale investments, and hence the amount is classified as a non-current asset. Such non-current interest-free loan to investee is adjusted for revised estimates and HK\$4,241,000 is debited to profit or loss using effective interest rate of 13.63% per annum, and the balance as at 31 March 2016 is HK\$5,163,000.

The directors of the Company expect that another shareholder's loan to Joyful Ease with principal amount of HK\$1,200,000 will be repaid after five years from the first day of drawdown, and hence the amount is classified as a non-current asset. Such non-current interest-free loan to investee is adjusted for revised estimates and HK\$515,000 is debited to profit or loss using effective interest rate of 11.88% per annum, and the balance as at 31 March 2016 is HK\$688,000.

The directors of the Company expect that the shareholder's loan to Ocean Group with principal amount of HK\$9,998,000 will be repaid after five years from the first day of drawdown, and hence the amount is classified as a non-current asset. Such non-current interest-free loan to investee is adjusted for revised estimates and HK\$4,327,000 is debited to available-for-sale investments using effective interest rate of 11.96% per annum, and the balance as at 31 March 2016 is HK\$5,803,000.

- (iii) As at 31 March 2015, included in the deposits paid for purchases were amount due from a director of a subsidiary of HK\$5,477,000 for the Group paid deposits for purchases from suppliers through that director of a subsidiary.

#### 24. CASH AND CASH EQUIVALENTS

The balance include bank balances which receive variable interest at an average rate of 1% (2015: 1%) per annum. Included in the bank balances was an amount of HK\$1,995,000 (2015: HK\$1,653,000) denominated in RMB, which is not freely convertible into other currencies.

#### 25. TRADE PAYABLES

The following is an ageing analysis of trade payable presented based on the invoice date at the end of the reporting period.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 90 days	1,883	1,255
91 – 180 days	–	29
	<u>1,883</u>	<u>1,284</u>

The credit period ranged from 90 days to 120 days.

#### 26. BANK OVERDRAFTS/BANK BORROWINGS

As at 31 March 2016, bank overdrafts carried interest at average market rates of 6.56% per annum as at 31 March 2016.

As at 31 March 2016, all the bank borrowings contain a repayment on demand clause and accordingly the balance is shown under current liabilities. The following table details the amounts due which are based on scheduled repayment dates set out in the loan agreements:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Carrying amount repayable:		
Within one year	888	–
Within a period of more than one year but not exceeding two years	297	–
	<u>1,185</u>	<u>–</u>

As at 31 March 2016, the unsecured bank borrowings are guaranteed by the directors of a subsidiary and unsecured bank borrowings with an amount of HK\$834,000 are guaranteed by the government of the Hong Kong Special Administrative Region.

Bank borrowings comprise:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fixed-rate bank borrowings	681	–
Floating-rate bank borrowings	504	–
	<u>1,185</u>	<u>–</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2016	2015
Effective interest rate (per annum):		
Fixed-rate bank borrowings	9.49% – 9.64%	N/A
Floating-rate bank borrowings	6.75%	N/A

## 27. PROMISSORY NOTE

	<i>HK\$'000</i>
At 1 April 2014	18,794
Issue during the year	3,080
Interest charged to profit or loss	4,425
Repayment	<u>(23,000)</u>
At 31 March 2015	3,299
Interest charged to profit or loss	38
Interest paid	(257)
Repayment	<u>(3,080)</u>
At 31 March 2016	<u>–</u>

In 2014, the Group issued promissory note with principal amount of HK\$23,000,000 for acquisition of entire equity interest of Digital Rainbow Holdings Limited (“Digital Rainbow”). The promissory note carried no interest and was repayable on 6 March 2015. The promissory note was initially recognised at fair value of HK\$16,627,000 with effective interest rate of 24.225%. The promissory note was subsequently measured at amortised cost. During the year ended 31 March 2015, the Group incurred imputed interest on promissory note of HK\$4,206,000 to profit or loss. The promissory note was repaid during the year ended 31 March 2015.

During the year ended 31 March 2015, the Group issued promissory note with principal amount of HK\$3,080,000 to an independent third party. The promissory note carried interest of 10% per annum and was repayable on 7 July 2015. During the year ended 31 March 2016, the Group incurred interest on this promissory note of HK\$38,000 (2015: HK\$219,000) to profit or loss. The promissory note was repaid during the year ended 31 March 2016.

## 28. BONDS

	<i>HK\$'000</i>	
At 1 April 2014		103,432
Bond issued on 11 April 2014		3,000
Effective interest expense		15,086
Interest paid		(10,403)
Early repayment		(91,000)
		<hr/>
At 31 March 2015		20,115
Effective interest expense		1,348
Interest paid		(800)
Repayment		(3,000)
		<hr/>
At 31 March 2016		<u>17,663</u>
	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Analysed by:		
Current	<b>10,623</b>	13,539
Non-current	<b>7,040</b>	6,576
	<hr/>	<hr/>
	<b><u>17,663</u></b>	<b><u>20,115</u></b>

On 6 September 2013, the Company issued a bond with principal amount of HK\$80,000,000 to an independent third party. According to the terms of the bond, the maturity date was two years from the issue date. At the maturity date, the Company can elect at its discretion to extend the term for another one year. The bond carried interest at 20% per annum (the "Initial Interest Rate") during the first 24 months and thereafter at progressive interest rate by an addition of 2% per annum to the Initial Interest Rate for every 3 months in the event of an extension of the maturity date of the bond. The Company can also redeem part or all of the bonds any time during the repayment term at principal amount and interest accrued up to redemption date. The extension option and early redemption option (collectively the derivative components) are considered not closely related to the host debt component. Both the host debt component and the derivative component have been valued as at 6 September 2013 on the basis carried out at that date by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group. In the opinion of the directors, the fair value of derivative components of this bond is insignificant. At initial recognition, the bonds of HK\$73,136,000 is recognised based on fair value of HK\$76,473,000 after deducting the transaction cost incurred of HK\$3,337,000 resulting with the effective interest rate of the bonds is 25.77% per annum. The Company issued 130,000,000 warrants to the then bondholder together with the bond issued. Details of the warrants are disclosed in note 32. During the year ended 31 March 2015, the Company redeemed the bond with principal amount of HK\$80,000,000.

On 18 September 2013, 18 October 2013 and 28 November 2013, the Company also issued unsecured bonds to independent third parties with principal amounts of HK\$10,000,000, HK\$11,000,000 and HK\$10,000,000, respectively and with coupon rates of 5%, 5% and 5.33% per annum respectively. The aggregate consideration of these bonds amounted to HK\$27,000,000 which has been netted with the fully prepaid interest of HK\$4,000,000. The effective interest rates of these bonds ranged from 5% to 6.594%. The maturity dates of the bonds ranged from 2 years to 7.5 years. During the year ended 31 March 2015, the Company redeemed the bond with principal amount of HK\$11,000,000 upon maturity. Upon the maturity of another bond with principal amount of HK\$10,000,000 on 18 September 2015, the Company extended the maturity date to 17 September 2016, carried at an interest of 12% per annum.

On 11 April 2014, the Company issued unsecured bond to an independent third party with principal amount of HK\$3,000,000. The effective interest rate of this bond was 10%. The maturity date of this bond was 1 year. The bond was redeemed during the year ended 31 March 2016.

Bond issued on 6 September 2013 was secured by 39.23% shares of the Company and guaranteed by Eminent Along Limited and Ease Chance International Limited, the wholly-owned subsidiaries of the Company. The pledge was released upon repayment. All other bonds are unsecured.

## 29. OTHER BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other borrowings:		
– Secured and due within one year	21,062	–
– Secured and due over one year but less than two years	–	21,061
	<u>21,062</u>	<u>21,061</u>
	<u><u>21,062</u></u>	<u><u>21,061</u></u>
Analysed by:		
Current	21,062	–
Non-current	–	21,061
	<u>21,062</u>	<u>21,061</u>
	<u><u>21,062</u></u>	<u><u>21,061</u></u>

The other borrowings of HK\$21,062,000 (2015: HK\$21,061,000) are granted by the non-controlling shareholders of a subsidiary of the Company, which bears fixed-rate interests of 12% per annum and repayable in October 2016. Therefore, the amounts are classified as current liabilities (2015: non-current liabilities) as at 31 March 2016. The other borrowings are secured by the loans receivables of HK\$18,440,000 (2015: HK\$21,424,000) as at 31 March 2016.

## 30. DEFERRED TAXATION

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

	Unrealised gain on securities trading <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	–	–	3	18,548	18,551
Credit to profit or loss (note 11)	–	–	(3)	(18,548)	(18,551)
At 31 March 2015	–	–	–	–	–
Acquisition of a subsidiary (note 33)	–	–	–	431	431
Charge (credit) to profit or loss (note 11)	1,270	(1,270)	–	(36)	(36)
At 31 March 2016	<u>1,270</u>	<u>(1,270)</u>	<u>–</u>	<u>395</u>	<u>395</u>

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$75,469,000 (2015: HK\$66,620,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. As at 31 March 2016, the unrecognised tax losses of approximately HK\$1,990,000, HK\$1,351,000, HK\$456,000, HK\$499,000 and HK\$133,000 will expire on 31 March 2017, 2018, 2019, 2020 and 2021 respectively. As at 31 March 2015, the unrecognised tax losses of approximately HK\$2,016,000, HK\$1,990,000, HK\$1,351,000, HK\$456,000 and HK\$499,000 will expire on 31 March 2016, 2017, 2018, 2019 and 2020 respectively. Other tax losses may be carried forward indefinitely.

## 31. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2014	2,000,000	20,000
Increase in authorised share capital ( <i>Note a</i> )	2,000,000	20,000
At 31 March 2015	4,000,000	40,000
Increase in authorised share capital ( <i>Note b</i> )	6,000,000	60,000
At 31 March 2016	10,000,000	100,000
Issued and fully paid:		
At 1 April 2014	1,349,144	13,491
Issue of shares upon exercise of options	14,000	140
Issue of shares upon placing ( <i>Note c</i> )	774,000	7,740
At 31 March 2015	2,137,144	21,371
Issue of shares upon placing ( <i>Note d</i> )	542,000	5,420
Issue of shares upon acquisition of a subsidiary ( <i>Note e</i> )	60,000	600
Issue of shares upon rights issue ( <i>Note f</i> )	1,369,572	13,696
At 31 March 2016	4,108,716	41,087

*Notes:*

- (a) Pursuant to the ordinary resolution of annual general meeting of the Company passed on 3 September 2014, the Company's authorised share capital was increased from HK\$20,000,000 to HK\$40,000,000 by the additional 2,000,000,000 authorised number of shares.
- (b) Pursuant to the ordinary resolution of annual general meeting of the Company passed on 7 August 2015, the Company's authorised share capital was increased from HK\$40,000,000 to HK\$100,000,000 by the additional 6,000,000,000 authorised number of shares.
- (c) On 3 September 2014, 29 September 2014 and 3 December 2014, the Company entered into placing agreements pursuant to which the Company had agreed to allot and issue and the subscribers had agreed to subscribe for 237,000,000 shares, 317,000,000 shares and 220,000,000 shares in cash at the placing price of HK\$0.270, HK\$0.297 and HK\$0.30 per share, respectively. The premium on issue of shares, amounting to approximately HK\$207,773,000, net of share issue expenses, was credited to the Company's share premium account.
- (d) On 24 April 2015 and 24 September 2015, the Company entered into placing agreements pursuant to which the Company has agreed to allot and issue and the subscribers have agreed to subscribe for 162,000,000 shares and 380,000,000 shares in cash at the placing price of HK\$0.21 and HK\$0.107 per share, respectively. The premium on issue of shares, amounting to approximately HK\$67,602,000, net of share issue expenses, was credited to the Company's share premium account.
- (e) On 12 October 2015, the Company issued an aggregate of 60,000,000 shares upon acquisition of the entire equity interest of MD. Details are set out in note 33. The premium on issue of shares, amounting to approximately HK\$6,335,000, net of share issue expenses, was credited to the Company's share premium account.
- (f) On 6 January 2016, the Company issued 1,369,572,000 ordinary shares by way of rights issue at a price of HK\$0.07 per rights share on the basis of 1 right share for every two shares held. The premium on issue of shares, amounting to approximately HK\$77,932,000, net of share issue expenses, was credited to the Company's share premium account.



**32. WARRANTS**

On 6 September 2013, the Company issued 130,000,000 warrants to the bondholder who subscribed for bonds with principal amount of HK\$80,000,000 on the same date as referred to note 28. The warrants are transferable and each warrant carries the right to subscribe for one ordinary share of the Company at HK\$0.24 per share at any time with maturity of 3 years from the date of issue. The fair values of the warrants as at the date of issue amounted to HK\$3,527,000 were determined by reference to valuations performed by Roma Appraisals Limited, an independent professional qualified valuer not connected with the Group. The exercise price per share was adjusted to HK\$0.216 per share upon the completion of the rights issue on 6 January 2016.

On 7 March 2014, the Company issued 38,456,000 warrants to the subscriber of the Company's shares. The warrants were transferable and each warrant carried the right to subscribe for one ordinary share of the Company at HK\$0.26 per share at any time with maturity of 1 year from the date of issue. The fair values of these warrants as the date of issue amounted to HK\$2,512,000 were determined by reference to valuations performed by Roma Appraisals Limited, an independent professional qualified valuer not connected with the Group. All these warrants were lapsed during the year ended 31 March 2015.

**33. ACQUISITION OF A SUBSIDIARY**

On 12 October 2015, the Group acquired entire equity interest in MD from two independent third parties (the "Vendor B") at a consideration of HK\$36,207,000. This acquisition has been accounted for using the acquisition method. MD is principally engaged in the Trading of Consumer Products business. In the opinion of directors of the Company, the acquisition of MD is an opportunity for the Group to diversify its existing business.

**Deemed consideration transferred**

	<i>HK\$'000</i>
Cash	3,000
Shares issued (Note (i))	6,960
Fair value of equity interest in Digital Rainbow	–
Assignment of loan to Vendor B (Note (ii))	26,247
	<hr/>
Total	36,207
	<hr/> <hr/>

## Notes:

- (i) The amount represents the fair value of 60,000,000 ordinary shares of the Company in issue immediately prior to the acquisition determined by reference to the published closing market price of HK\$0.116 per share at the date of the acquisition, i.e. 12 October 2015.
- (ii) The amount represents the receivable from group company of HK\$26,247,000 after provision for impairment loss of HK\$3,286,000 prior to the loan assignment.

Acquisition-related costs amounting to approximately HK\$351,000 have been excluded from the consideration transferred and have been recognised as an expense in the same period, included in other expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016.

**Assets acquired and liabilities recognised at the date of acquisition:**

	<i>HK\$'000</i>
Intangible assets	2,610
Inventories	119
Trade receivables	3,199
Prepayments, deposits and other receivables	1,026
Cash and cash equivalents	930
Trade payables	(2,387)
Accruals and other payables	(340)
Bank overdrafts	(304)
Bank borrowings	(2,494)
Deferred tax liabilities	(431)
	<hr/>
Net assets acquired	1,928
	<hr/> <hr/>

**Goodwill arising on acquisition:**

	<i>HK\$'000</i>
Consideration transferred	36,207
Less: Net assets acquired	(1,928)
	<hr/>
Goodwill arising on acquisition	34,279
	<hr/> <hr/>

Goodwill arose in the acquisition of MD because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of future market development in the Trading of Consumer Products. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

**Net cash outflow arising on acquisition:**

	<i>HK\$'000</i>
Cash consideration paid	3,000
Less: cash and cash equivalents acquired	(626)
	<hr/>
	2,374
	<hr/> <hr/>

Included in the loss for the year is HK\$1,488,000 attributable to the additional business generated by MD. Revenue for the year includes HK\$4,330,000 generated from MD.

Had the acquisition been effected at the beginning of the reporting period, total Group's revenue for the year ended 31 March 2016 would have been HK\$91,382,000 and the total amount of loss of the Group for the year would have been HK\$49,772,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of the results.

**34. DISPOSAL OF SUBSIDIARIES**

On 12 October 2015, following to the acquisition of MD, the Group disposed of the entire equity interest in Digital Rainbow to a Company owned by the Vendor B, which will be deemed to have been satisfied by the set-off of the payment of an equivalent amount receivable by the Vendor B in respect of the acquisition of MD by the Group as set out in note 33. The net assets of Digital Rainbow and its subsidiary at the date of disposal were as follows:

**Deemed consideration received:**

	<b>HK\$'000</b>
Partial consideration payable for acquisition of MD used to offset	–
	<u>–</u>

**Analysis of assets and liabilities over which control was lost:**

	<b>HK\$'000</b>
Prepayments, deposits and other receivables	26,247
Cash and cash equivalents	916
Accruals and other payables	(916)
Amount due to group company	(29,533)
	<u>(29,533)</u>
Net liabilities disposed of (Being gain on disposal of subsidiaries)	(3,286)
	<u>(3,286)</u>

**Net effect on disposal of subsidiaries:**

	<b>HK\$'000</b>
Gain on disposal of subsidiaries	3,286
Impairment loss on amount due from group company (note 33)	(3,286)
	<u>–</u>
Net effect on disposal of subsidiaries	–
	<u>–</u>

**Cash outflow arising on disposal:**

	<b>HK\$'000</b>
Cash and cash equivalents disposed	916
	<u>916</u>

**35. LEASE COMMITMENTS**

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

	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>4,605</b>	3,023
In the second to fifth year inclusive	<b>3,922</b>	1,023
	<u><b>8,527</b></u>	<u>4,046</u>
	<u><b>8,527</b></u>	<u>4,046</u>

Operating lease payments represent rentals payable by the Group for offices and factory. Leases are negotiated for terms of 2 to 15 years (2015: 2 to 15 years) and rentals are fixed over lease terms.

**36. RETIREMENT BENEFITS SCHEMES**

The Group makes contributions to Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from 1 June 2014, the cap of contribution amount had been changed from HK\$1,250 to HK\$1,500 per employee per month.

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

Employees employed by the Group’s operations in Macau are members of government-managed retirement benefits schemes operated by the Macau government. The Macau operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits.

The employer’s contribution to the MPF Schemes and various benefits schemes in the PRC and Macau is disclosed in note 12.

**37. SHARE OPTION SCHEMES**

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Scheme became effective on 26 September 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

The offer of a grant of share options may be accepted within 10 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and vests immediately and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer.

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

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

Name	Date of grant	Exercisable period (Note d)	Exercise price per share (HK\$) (Note f)	Outstanding as at 1 April 2014	Granted during the year	Number of options Outstanding		Outstanding as at 31 March 2015	Adjustment (Note e)	Outstanding as at 31 March 2016
						Lapsed during the year	Exercised during the year			
Directors:										
Mr. Wong Ka Wah, Albert	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	15,000,000	-	-	15,000,000	405,000	15,405,000
Mr. Hong Sze Lung	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	15,000,000	-	-	15,000,000	405,000	15,405,000
Mr. Lau Wan Pui, Joseph	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	5,000,000	-	(2,000,000)	3,000,000	81,000	3,081,000
Mr. Law Chung Lam, Nelson	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	5,000,000	-	(3,000,000)	2,000,000	54,000	2,054,000
Mr. Kwong Yip Lap	15 April 2014 (Note b) 13 October 2014	15 April 2014 to 20 February 2019 13 October 2014 to 12 October 2016	0.253 0.360	- -	2,000,000 2,000,000	- -	- -	2,000,000 2,000,000	54,000 54,000	2,054,000 2,054,000
Mr. Chow Chi Fai	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	1,000,000	-	-	1,000,000	27,000	1,027,000
Mr. Leung Ka Tin	13 October 2014	13 October 2014 to 12 October 2016	0.360	-	1,000,000	-	-	1,000,000	27,000	1,027,000
Mr. Tam Chak Chi	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	1,000,000	-	(1,000,000)	-	-	-
Mr. May Tai Keung, Nicholas (Note a)	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	1,000,000	-	(1,000,000)	-	-	-
Employees										
	11 July 2011	11 July 2011 to 10 July 2016	0.346	10,000,000	-	-	-	10,000,000	270,000	10,270,000
	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	17,000,000	-	(7,000,000)	10,000,000	270,000	10,270,000
	13 October 2014	13 October 2014 to 12 October 2016	0.360	-	5,000,000	-	-	5,000,000	135,000	5,135,000
Consultants (Note c)										
	11 July 2011	11 July 2011 to 10 July 2016	0.346	10,000,000	-	-	-	10,000,000	270,000	10,270,000
	17 February 2014	17 February 2014 to 16 February 2019	0.234	39,000,000	-	-	-	39,000,000	1,053,000	40,053,000
	15 April 2014 (Note b)	15 April 2014 to 20 February 2019	0.253	-	36,000,000	(1,000,000)	-	35,000,000	945,000	35,945,000
	14 July 2014	14 July 2014 to 13 July 2016	0.263	-	36,900,000	-	-	36,900,000	996,300	37,896,300
	13 October 2014	13 October 2014 to 12 October 2016	0.360	-	150,168,000	-	-	150,168,000	4,054,536	154,222,536
				59,000,000	293,068,000	(1,000,000)	(14,000,000)	337,068,000	9,100,836	346,168,836
Exercisable at the end of the year				59,000,000				337,068,000		346,168,836

Notes:

- (a) Mr. May Tai Keung, Nicholas resigned as independent non-executive director of the Company on 31 July 2014.
- (b) These share options were conditionally granted to directors of the Company, employees and consultants of the Group. Such grants are subject to the approval of the proposed refreshment by the shareholders at the extraordinary general meeting. The proposed grants were approved by shareholders at the extraordinary general meeting on 15 April 2014.
- (c) The Group granted share options to these consultants for the provision of consultancy services rendered by the consultants include, among others, coordination of natural resources trading projects, advice on acquisition and advice on corporate financing. In the opinion of the directors, the fair value of the services rendered was measured by reference to the fair value of share options granted. On 21 February 2014, the Group proposed to grant an aggregate of 36,000,000 share options to the consultants of the Company for services rendered during the year ended 31 March 2014 which vested immediately and was approved by the shareholders on 15 April 2014 regarding the proposed refreshment of the existing scheme mandate limit under the share option scheme of the Company.

- (d) These share options are vested immediately upon the grant date. The weighted average closing price of the shares on the date immediately before 15 April 2014, 14 July 2014 and 31 October 2014 and the dates on which the options were granted was HK\$0.233, HK\$0.270 and HK\$0.330 per share, respectively.
- (e) The numbers of share options were adjusted upon the completion of the rights issue on 6 January 2016.
- (f) The exercise price per share option was adjusted upon the completion of the rights issue on 6 January 2016.

The fair values of options granted on 13 October 2014 and 14 July 2014 determined at using the Binominal model approximately were HK\$12,202,000 and HK\$3,433,000, respectively. The fair value of options granted and approved by shareholders on 15 April 2014 was HK\$11,575,000.

The following assumptions were used to calculate the fair values of share options:

	13.10.2014	14.7.2014	15.4.2014 (Note i)	15.4.2014 (Note ii)
Grant date share price	HK\$0.330	HK\$0.270	HK\$0.330	HK\$0.233
Exercise price	HK\$0.370	HK\$0.270	HK\$0.260	HK\$0.260
Option life	2 years	2 years	5 years	5 years
Expected volatility (Note iii)	67.217%	64.832%	65.057%	63.359%
Dividend yield	–	–	–	–
Risk-free interest rate (Note iv)	0.565%	0.291%	1.239%	1.295%

Notes:

- (i) On 21 February 2014, the Group proposed to grant an aggregate of 62,000,000 share options to the directors and employees of the Company for services rendered during the year ended 31 March 2014. The assumptions were used to calculate the estimated fair values of 62,000,000 share options amounting to HK\$8,045,000. The grant date was established upon the approval of shareholders on the refreshment of the existing scheme mandate limit on 15 April 2014. The fair values based on the established grant date had no difference as previous estimated.
- (ii) The assumptions were used to calculate the fair values of 36,000,000 share options amounting to HK\$3,530,000 granted to consultants.
- (iii) Expected volatility for options was based on historical daily price movements of the Company over a historical period of 5 years.
- (iv) The risk-free rate was determined by reference to the yield of 5-year Hong Kong Exchange Fund Notes.

The Binominal model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

During the year ended 31 March 2015, an amount of share-based payment expenses in respect of the Company's share options of HK\$15,635,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income with a corresponding adjustment recognised in the Group's share-based payment reserve. During the year ended 31 March 2016, there is no share option granted or exercised.

### 38. RELATED PARTY TRANSACTIONS

- (a) Apart from the loans to associates and other borrowings as disclosed in notes 16 and 29, respectively, during the year, the Group has entered into followings transactions between related parties:

	2016 HK\$'000	2015 HK\$'000
Loan interest income from an associate	500	500
Consultancy expenses paid to a related party (Note)	–	180
Finance costs paid/payable to non-controlling shareholders of a subsidiary	2,428	1,061

Note: Mr. Lau Wan Pui, Joseph is a non-executive director of the Company and a beneficial owner and a director of the related party.

- (b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in note 10 to the consolidated financial statements.

**39. MAJOR NON-CASH TRANSACTION**

As set out in note 33, the assignment of loan to Vendor B of HK\$26,247,000 for acquisition of equity interest in MD is a non-cash transaction.

During the year ended 31 March 2016, the acquisition of motor vehicles was settled by deposit paid in prior year.

**40. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank overdrafts, bank borrowings, promissory note, bonds and other borrowings disclosed in notes 26, 27, 28 and 29, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital and reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through new share issues, repurchase of shares and the issue of new debt or the redemption of the existing debt.

The Group's overall strategy remains unchanged from prior year.

**41. EVENTS AFTER THE REPORTING PERIOD**

- (i) On 18 March 2016, the Company entered into a sale and purchase agreement with an independent third party (the "Vendor C") pursuant to which the Vendor C has conditionally agreed to sell and the Company has conditionally agreed to purchase the entire equity interest of Strategy King Holdings Limited and the consideration will be satisfied by allotment and issuance of 1,752,505,102 shares by the Company and issuance of the convertible bonds with principal amount of HK\$42,067,128 Strategy King Holdings Limited and its subsidiary is principally engaged in trading of games, console games, and games-related accessories and products in Hong Kong. Such transaction has not been completed at the date of these consolidated financial statements were authorised for issuance.
- (ii) On 24 March 2016, the Company entered into a sale and purchase agreement with an independent third party pursuant to which the Company has conditionally agreed to sell and the counterparty agreed to purchase the entire issued share capital in and the shareholder's loan due by Paraburdoo Limited and its subsidiaries ("Paraburdoo Group") for a cash consideration of HK\$2,000,000. Paraburdoo Group is principally engaged in manufacturing and trading of packaged food. Upon completion, Paraburdoo Limited and its subsidiaries will cease to be subsidiaries of the Company. The transaction is subject to shareholders' approval in extraordinary general meeting to be held on 11 July 2016. Such transaction has not been completed at the date of these consolidated financial statements were authorised for issuance.
- (iii) On 17 June 2016, the Company entered into a sale and purchase agreement with an independent third party ("Vendor D") pursuant to which the Vendor D agreed to sell and the Company agreed to purchase convertible bonds with principal amount of US\$1,000,000 issued by a listed company in Hong Kong from Vendor D. The consideration shall be satisfied by assignment of the loans receivables with principal amount of HK\$3,500,000 with accrued interest receivables together by the Company to Vendor D upon completion. The transaction was completed on 17 June 2016. The Group is in the process of assessing the financial impact of this transaction.

- (iv) On 23 June 2015, 30 November 2015 and 31 December 2015, the Company entered into sale and purchase agreements (the “Agreements”) with four independent third parties pursuant to which the Company agreed to purchase an aggregate of 51% equity interest in Perfect Worth Investments Limited (the “Acquisition”) and the consideration will be satisfied by allotment and issuance of convertible bonds with principal amount of HK\$204,000,000 by the Company. Perfect Worth Investments Limited and its subsidiaries are principally engaged in the business of online distribution of footwear in the PRC. Since certain conditions precedent to the Acquisition have not been satisfied or waived as at 22 May 2016 and the Agreements have lapsed on 22 May 2016. The Agreements shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms of the Agreements.

#### 42. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 March 2016 and 31 March 2015.

Name of subsidiary	Place of incorporation/ registration	Paid up issued/ registered share capital	Effective percentage of issued share capital/registered capital held by the Company		Principal activities
			2016 %	2015 %	
Billion Revenue Holdings Limited	British Virgin Islands (“BVI”)	US\$1 ordinary	100	100	Investment holding
Bliss Castle Investment Limited	BVI	US\$1 ordinary	100	100	Investment holding
Chance Winning Limited	BVI	US\$50,000 ordinary	100	100	Investment holding
Digital Rainbow	BVI	US\$10,000 ordinary	– (Note 1)	100	Investment holding
Eminent Along Limited	BVI	US\$100 ordinary	100	100	Investment holding
Silver Summit Investment	BVI	US\$100 ordinary	100	100	Investment holding
Speedy Track Inc.	BVI	US\$1 ordinary	100	100	Investment holding
Angel Fund Company Limited	Hong Kong	HK\$1,000,000 ordinary	60	60	Money lending
Bright Billion	Hong Kong	HK\$1 ordinary	100	100	Vehicle distribution
Ease Chance International Limited	Hong Kong	HK\$10,000 ordinary	– (Note 1)	100	Iron ore concentrate trading
Grand Charm Commodities Company Limited	Hong Kong	HK\$1,000 ordinary	100	100	Palm oil trading
Liu Nik International Trading Limited	Hong Kong	HK\$10,000 ordinary	100	70	Inactive
Pacific Asset International Limited	Hong Kong	HK\$10,000 ordinary	100	100	Investment holding



Name of subsidiary	Place of incorporation/ registration	Paid up issued/ registered share capital	Effective percentage of issued share capital/registered capital held by the Company		Principal activities
			2016 %	2015 %	
Success Link Trading Limited	Hong Kong	HK\$2 ordinary	100	100	Sales of foods packed
Wealth Glory Global Trading Limited	Hong Kong	HK\$1,000,000 ordinary	100	100	Inactive
Paraburdoo	BVI	US\$30,000 ordinary	100	100	Investment holding
Greenfortune	Macau	MOP1,000,000 ordinary	100	100	Wholesales of packed foods
Shui Ye (Shanghai) Foods Limited (Note 2)	PRC	US\$2,000,000 ordinary	100	100	Manufactory and sales of packed foods
MD	Hong Kong	HK\$2 ordinary	100	–	Trading of consumer products
Gold Sun Trading & Development Limited	Hong Kong	HK\$100 ordinary	51	–	Trading of consumer products

Notes:

- (1) Digital Rainbow and its subsidiary, Ease Chance International Limited, are disposed of during the year ended 31 March 2016. Details are set out in note 34.
- (2) This subsidiary is wholly foreign owned enterprise in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the reporting period, the Company has non-controlling interests that are not material to the Group that no further disclosures on the financial information of these individually immaterial subsidiaries with non-controlling interests are presented.

## 43. FINANCIAL INFORMATION OF THE COMPANY

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	447	654
Interests in subsidiaries (Note)	90,641	90,641
Loan to an associate	–	5,754
Deposits and other receivables	6,937	–
	<u>98,025</u>	<u>97,049</u>
Current assets		
Held-for-trading investments	83,273	–
Prepayments, deposits and other receivables	4,337	27,084
Amounts due from subsidiaries	6,516	18,499
Loans to associates	5,754	8,701
Cash and cash equivalents	18,590	4,506
	<u>118,470</u>	<u>58,790</u>
Current liabilities		
Accruals and other payables	2,345	3,587
Promissory note	–	3,299
Bonds	10,623	13,539
	<u>12,968</u>	<u>20,425</u>
Net current assets	<u>105,502</u>	<u>38,365</u>
Total assets less current liabilities	<u>203,527</u>	<u>135,414</u>
Non-current liabilities		
Bonds	7,040	6,576
Net assets	<u>196,487</u>	<u>128,838</u>
Capital and reserves		
Share capital	41,087	21,371
Reserves	155,400	107,467
Total equity	<u>196,487</u>	<u>128,838</u>

Note: As at 31 March 2015, included in interests in subsidiaries of HK\$86,878,000 was an amount due from a subsidiary amounting to HK\$86,878,000, which was capitalised to investment cost on 1 April 2015.

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	Share premium <i>HK\$'000</i>	Warrants reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Contribution surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	168,514	6,039	17,313	17,065	(148,037)	60,894
Loss and total comprehensive expense for the year	–	–	–	–	(180,335)	(180,335)
Issue of shares upon placing	216,399	–	–	–	–	216,399
Issue of shares upon exercise of options	3,500	–	–	–	–	3,500
Transaction costs attributable to issues of shares	(8,626)	–	–	–	–	(8,626)
Transfer upon exercise of share options	1,777	–	(1,777)	–	–	–
Transfer upon lapse of share options	–	–	(98)	–	98	–
Recognition of equity-settled share-based payments	–	–	15,635	–	–	15,635
Transfer upon lapse of warrants	–	(2,512)	–	–	2,512	–
At 31 March 2015	381,564	3,527	31,073	17,065	(325,762)	107,467
Loss and total comprehensive expense for the year	–	–	–	–	(103,936)	(103,936)
Issue of shares upon placing	69,260	–	–	–	–	69,260
Issue of shares upon acquisition of a subsidiary	6,360	–	–	–	–	6,360
Issue of shares by rights issue	82,174	–	–	–	–	82,174
Transaction costs attributable to issues of shares	(5,925)	–	–	–	–	(5,925)
At 31 March 2016	<u>533,433</u>	<u>3,527</u>	<u>31,073</u>	<u>17,065</u>	<u>(429,698)</u>	<u>155,400</u>

## FINANCIAL SUMMARY

## RESULTS

	For the year ended 31 March				
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	<u>73,658</u>	<u>277,294</u>	<u>316,634</u>	<u>48,292</u>	<u>104,434</u>
(Loss) profit attributable to owners of the Company	<u>(49,893)</u>	<u>(202,603)</u>	<u>(159,407)</u>	<u>(13,872)</u>	<u>7,728</u>

## ASSETS AND LIABILITIES

	At 31 March				
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Total assets	<u>272,200</u>	<u>153,288</u>	<u>223,951</u>	<u>152,199</u>	<u>115,238</u>
Total liabilities	<u>(49,506)</u>	<u>(52,526)</u>	<u>(154,888)</u>	<u>(4,545)</u>	<u>(10,462)</u>
Total equity	<u>227,694</u>	<u>100,762</u>	<u>69,063</u>	<u>147,654</u>	<u>104,776</u>

## 4. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Response Document, the Group had outstanding unguaranteed and unsecured bonds with principal amount of approximately HK\$31 million, unguaranteed and secured loans from non-controlling shareholders of a subsidiary of the Company with principal amount of HK\$20 million which was secured by certain of the Group's loans receivable and guaranteed and unsecured bank borrowings and overdrafts with carrying amount of approximately HK\$1.0 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 July 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this Response Document.

## 5. MATERIAL CHANGE

The Directors confirmed that as at the Latest Practicable Date, save as disclosed below, there had been no material changes in the financial or trading position or outlook of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Company were made up, to the Latest Practicable Date:

1. The Company announced on 7 April 2016 regarding a settlement agreement (the “**Settlement Agreement**”) entered into between the Company and Southernpec Storage and Logistics Holding Limited (the “**Southernpec Vendor**”) in relation to a possible acquisition of the entire equity interests in Southernpec Singapore Storage and Logistics Limited (“**Southernpec**”) and the refund of deposit of HK\$10 million (the “**Deposit**”) for which the Company had commenced legal proceedings against the Southernpec Vendor for the recovery of the Deposit (the “**Proceedings**”). Pursuant to the Settlement Agreement, in consideration of the Company’s forbearance to sue and to proceed with the Proceedings, the Southernpec Vendor irrevocably covenants with the Company that the Southernpec Vendor shall pay to the Company a sum of HK\$5,000,000 by 7 instalments over a period of 18 months from the date of the Settlement Agreement as the full and final settlement of the Deposit.
2. Further to an announcement of the Company dated 24 March 2016, 11 May 2016 and 15 June 2016 and the circular of the Company dated 17 June 2016 in relation to the disposal of the entire issued share capital in Paraburdoo Limited (the “**Disposal**”), the Company announced on 25 July 2016 that the Disposal was completed on 25 July 2016.
3. As disclosed in the first quarterly report of 2016 (the “**2016 First Quarterly Report**”) of the Group for the three months ended 30 June 2016, there have been certain material changes in the financial or trading position or outlook of the Group since 31 March 2016 and, in particular, the Directors note as follows:
  - a. the decrease in the Group’s revenue to approximately HK\$20.3 million for the three months ended 30 June 2016 (“**1Q2016**”) from approximately HK\$28.8 million for the corresponding period in 2015 mainly attributable to the decrease in turnover from the trading of crude palm oil and which record a turnover of HK\$12.1 million for 1Q2016 as compared to HK\$23.7 million in the same period in 2015.
  - b. administrative expenses and other expenses (the “**Operating Expenses**”) incurred for 1Q2016 amounted to HK\$9.6 million (2015: HK\$14.1 million). By excluding the major non-cash items in relation to amortisation of intangible assets and depreciation charges in both periods, Operating Expenses for 1Q2016 would have amounted to HK\$8.7 million as compared to HK\$13.2 million in the same period in 2015 on the same basis, representing a reduction of 34.1% which was mainly due to the reduced corporate marketing activities undertaken during 1Q2016.
  - c. the Group recorded a net loss of approximately HK\$6.6 million for 1Q2016, as compared to a net profit of HK\$16.8 million for the corresponding period in 2015. As disclosed in the 2016 First Quarterly Report, the main reason for such turn of profit to loss was due to the absence of gain from investment in listed securities which was recorded in the three months ended 30 June 2015. The Group recorded gain of approximately HK\$34.3 million for the three months ended 30 June 2015 as compared to loss of approximately HK\$0.4 million for the three months ended 30 June 2016.

## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Offeror and parties acting in concert with him and the terms of the Offers) contained in this Response Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document (other than opinions expressed by the Offeror or parties acting in concert with him) have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

The information contained in this Response Document relating to the Offeror and parties acting in concert with him, the opinions expressed by the Offeror or parties acting in concert with him and the terms of the Offers has been extracted or derived from the Offer Document. The Directors jointly and severally accept full responsibility for the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the Company had an authorised ordinary share capital of HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each. The authorised and issued ordinary share capital of the Company as at the Latest Practicable Date were as follows:

### As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
10,000,000,000 Shares	100,000,000
<i>Issued and fully-paid:</i>	
4,108,716,000 Shares in issue	41,087,160

As at the Latest Practicable Date, there were 287,732,536 Options outstanding, details of which are set out below. If all of such Options were exercised, a total of 287,732,536 new Shares would be issued.

<u>Date of grant</u>	<u>Exercise price</u>	<u>Period during which Options outstanding are exercisable</u>	<u>Number of Shares subject to the Options outstanding</u>
17 February 2014	HK\$0.234	17 February 2014 to 16 February 2019	40,053,000
21 February 2014	HK\$0.253	21 February 2014 to 20 February 2019	85,241,000
13 October 2014	HK\$0.360	13 October 2014 to 12 October 2016	162,438,536

On 18 March 2016, the Company entered into a sale and purchase agreement with Azure Sea Developments Limited (“Azure Sea”) in respect of the proposed acquisition of the entire equity interests in Strategy King Holdings Limited. Pursuant to the sale and purchase agreement, the consideration for the proposed acquisition shall be satisfied upon completion by allotment and issue of 1,752,505,102 shares and issue of convertible bonds in the principal amount of HK\$42,067,127.53 which are convertible into 576,262,021 shares to Azure Sea. As disclosed in the announcement of the Company dated 3 August 2016, the resolution to approve, confirm and ratify the sale and purchase agreement and the transactions contemplated thereunder was not passed by the shareholders of the Company at the extraordinary general meeting held on 3 August 2016. As at the Latest Practicable Date, the completion has not taken place and the consideration shares and the convertible bonds have not been issued to Azure Sea.

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and capital. The Company has not issued any new Shares since 31 March 2016, the date to which the latest audited financial statements of the Company were made up.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' interests

As at the Latest Practicable Date, the following Directors and the chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rules 5.61 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed under the Takeovers Code.

<u>Name of director</u>	<u>Nature of interest</u>	<u>Number of Shares interested</u> <sup>(Note 1)</sup>	<u>Percentage of the Company's issued share capital</u> <sup>(Note 2)</sup>	<u>Intention to accept/reject the Option Offer</u>
Mr. Chow Chi Fai (INED)	Beneficial owner	1,027,000	0.02	Accept
Mr. Hong Sze Lung (ED)	Beneficial owner	15,405,000	0.37	Accept
Mr. Lau Wan Pui, Joseph (NED)	Beneficial owner	3,081,000	0.07	Accept
Mr. Law Chung Lam, Nelson (NED)	Beneficial owner	2,054,000	0.05	Accept

*Note*

1. *The above interests are held as Options granted by the Company.*
- 2: *The percentage stated represents the percentage of the Company's share capital as at the Latest Practicable Date.*

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any Director or chief executive of the Company who, as at the Latest Practicable Date, had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Rules 5.61 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed under the Takeovers Code.



**(b) Substantial shareholders' interest**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Nature of interest/capacity	Total number of Shares	Percentage of the Company's issued share capital <i>(Note 1)</i>
Lam Hak Ha Jasper	Interest of controlled corporation (56.68%) & Beneficial owner (0.019%)	2,329,583,123	56.70
Azure Sea Developments Limited <i>(Note 2)</i>	Beneficial owner	2,328,767,123	56.68
Cao Guoqi	Interest of controlled corporation	285,714,000	8.28
Long Vehicle Capital Limited <i>(Note 3)</i>	Beneficial owner	285,714,000	8.28
Probest Limited <i>(Note 4)</i>	Interest of controlled corporation	285,714,000	8.28
SBI China Capital Holdings Limited	Interest of controlled corporation	285,714,000	8.28
SBI China Capital Securities Limited ("SBI Securities")	Interest of controlled corporation	285,714,000	8.28
SBI China Capital Financial Services Limited	Beneficial owner	285,714,000	8.28
Zhang Xiongfeng	Interest of controlled corporation	285,714,000	8.28

*Note 1: The percentage stated represents the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.*

*Note 2: Azure Sea Developments Limited ("Azure Sea") is the vendor in the conditional sale and purchase agreement dated 18 March 2016 entered into between the Company and Azure Sea. Pursuant to the agreement, the Company shall issue shares and convertible bonds as consideration to Azure Sea upon completion. The 2,328,767,123 shares represent the aggregate of those shares and the shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds by the Azure Sea. The entire issued share capital of Azure Sea was beneficially owned by Lam Hak Ha Jasper ("Mr. Lam"). As at the date of filing the relevant disclosure of interests form, Mr. Lam also owns 816,000 Shares.*

*Note 3: The entire issued share capital of Long Vehicle Capital Limited ("Long Vehicle") is beneficially owned by Mr. Zhang Xiongfeng. Long Vehicle in turn holds 48% issued share capital in SBI Holdings which in turn wholly owns SBI Securities. SBI Financial is the wholly-owned subsidiary of SBI Securities. Therefore, Mr. Zhang is deemed to have interests in the Shares owned by SBI Financial.*

*Note 4: The entire issued share capital of Probest Limited ("Probest") is beneficially owned by Mr. Cao. Probest in turn holds 52% issued share capital in SBI China Capital Holdings Limited ("SBI Holdings") which in turn wholly owns SBI China Capital Securities Limited ("SBI Securities"). SBI China Capital Financial Services Limited ("SBI Financial") is the wholly-owned subsidiary of SBI Securities. Therefore, Mr. Cao is deemed to have interests in the Shares owned by SBI Financial.*

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**(c) Other interest in the Company**

As at the Latest Practicable Date,

- (i) no subsidiary or associate of the Company, or any pension fund of the Company or of any member of the Group owned or controlled any securities, convertible securities, warrants, options or derivatives of the Company;
- (ii) none of the advisers named under the section headed "Expert and consent" in this appendix or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any securities, convertible securities, warrants, options or derivatives of the Company;
- (iii) no Shares or any convertible securities, warrants, option or derivatives of the Company was managed on a discretionary basis by fund managers connected with the Company, and no such person had dealt in the Share or any convertible securities, warrants, options or derivatives issued by the Company;

- (iv) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associates under the Takeovers Code had any interest in nor has dealt in any securities, convertible securities, warrants, options or derivatives of the Company; and
- (v) neither the Company nor any of its Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives of the Company.

#### **4. DEALINGS IN SECURITIES**

##### **(i) Shareholdings and Dealings in securities of the Company**

As at the Latest Practicable Date, none of the Directors had dealt for value in any relevant securities (as define in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

##### **(ii) Shareholdings and Dealing in the Offeror**

As at the Latest Practicable Date, neither the Company nor any of its Directors have any interest in the relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Offeror, and no such person (including the Company) had dealt in the relevant securities of the Offeror during the Relevant Period, as the Offeror is an individual,

##### **(iii) Others**

During the Relevant Period,

- (a) none of the subsidiaries of the Company, pension fund of the Company or any of the Company's subsidiaries, any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of any Shares;
- (b) no fund managers connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

**5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS**

As at the Latest Practicable Date,

- (i) no benefit (other than statutory compensations) was or would be given to any Director as compensations for loss of office or otherwise in connection with the Offers;
- (ii) no material contracts had been entered into by the Offeror in which any Director has a material personal interest; and
- (iii) no agreement or arrangement existed between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

**6. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES**

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

**7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2016 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

**8. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Mr. Hong Sze Lung (“**Mr. Hong**”) was re-appointed as an executive Director commencing on 1 August 2016 and signed a service contract with the Company dated 1 August 2016 for a term of three years. The service contract for Mr. Hong will expire on 1 August 2019. The remuneration of Mr. Hong is HK\$2,640,000 per annum. Save as abovementioned fixed remuneration, Mr. Hong shall be entitled to receive an annual management bonus of a sum to be determined by the board of the Company at its absolute discretion having regard to the suggestion of the remuneration committee adopted by the Company, the operating results of the Group and the performance of Mr. Hong. Subject to the above, the amount of management bonus payable to Mr. Hong shall be decided by a majority in number of the members of the board of the Company provided that the Mr. Hong shall abstain from voting and shall not be counted in the quorum in respect of the resolution regarding the amount so payable to himself.

Each of Mr. Tam Chak Chi (“**Mr. Tam**”) and Mr. Chow Chi Fai (“**Mr. Chow**”) was re-appointed as an independent non-executive Director commencing on 1 August 2016 under a letter of appointment dated 1 August 2016 for a term of three years. The term of appointment for Mr. Tam will expire on 1 August 2019 while the term of appointment for Mr. Chow will expire on 1 August 2019. The remuneration of Mr. Tam and Mr. Chow is HK\$300,000 per annum and HK\$300,000 per annum, respectively. Save as abovementioned fixed remuneration, there is no other valuable remuneration payable to each of Mr. Tam and Mr. Chow respectively.

Each of Mr. Lau Wan Pui, Joseph (“**Mr. Lau**”) and Mr. Law Chung Lam, Nelson (“**Mr. Law**”) was re-appointed as a non-executive Director commencing on 1 August 2016 under a letter of appointment dated 1 August 2016 for a term of three years. The term of appointment for Mr. Lau will expire on 1 August 2019 while the term of appointment for Mr. Law will expire on 1 August 2019. The remuneration of Mr. Lau and Mr. Law is HK\$300,000 per annum and HK\$300,000 per annum, respectively. Save as the abovementioned fixed remuneration, there is no other valuable remuneration payable to each of Mr. Lau and Mr. Law.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has a service contract with the Company or any of its subsidiaries or associated companies, which: (i) (including both continuous and fixed term contracts) has been entered into or within 6 months before the commencement of the Offer Period; (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period.

## **9. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

On 8 September 2016, the Company received a demand letter from Messrs. Ho & Tam, solicitors for Optima Capital Limited claiming for an amount of HK\$1,515,980, being the outstanding financial advisory fee allegedly owed by the Company to Optima Capital Limited. The Company takes the view that since the amount claimed under the demand letter is less than 1% of the net assets value of the Group as at 31 March 2016, being the date to which the latest audited financial statements of the Group were made up, the Company does not consider the demand letter, together with the potential litigation thereunder, to be of material importance.

## **10. MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by members of the Group within two years before the commencement of the Offer Period which are or may be material:

- (a) a termination agreement dated 29 August 2014 entered into between Nice Glory (China) Limited, a directly wholly-owned subsidiary of Eminent Along Limited, an indirectly wholly-owned subsidiary of the Company, Eminent Along Limited, 天津首創科技發展有限公司 (translated as Tianjin Shouchuang Technology Development Limited) and Ms. 季潔 (Jijie) in relation to the acquisition of 100% equity interest in the 廣州首創投資諮詢有限公司 (translated as Guangzhou Shouchuang Investment Advisory Limited and formerly known as 廣州首創投資有限公司);
- (b) a conditional placing agreement dated 22 August 2014 entered into between the Company and Kingsway Financial Services Group Limited in relation to the placing of up to an aggregate of 237,000,000 new Shares at the price of HK\$0.27 per Share with a placing commission payable to Kingsway Financial Services Group Limited equal to 3% of the aggregate placing price of the Shares successfully placed by it under the placing;
- (c) a conditional placing agreement dated 18 September 2014 entered into between the Company and Kingsway Financial Services Group Limited in relation to the placing of up to an aggregate of 317,000,000 new Shares at the price of HK\$0.297 per Share with a placing commission payable to Kingsway Financial Services Group Limited equal to 4% of the aggregate placing price of the Shares successfully placed by it under the placing;
- (d) a distribution agreement dated 23 September 2014 entered into between Bright Billion Holdings Limited (as a distributor), an indirectly wholly-owned subsidiary of the Company and Sino Partner Global Limited (as a supplier), pursuant to which Bright Billion Holdings Limited was appointed by Sino Partner Global Limited as an authorized distributor to conduct the distribution, marketing and service of Sports car “Gumpert Apollo” in Chengdu, Nanjing, Shijiazhuang and Guiyang, the PRC at the one-off license fees in an aggregate amount of HK\$20,000,000;
- (e) a conditional placing agreement dated 24 November 2014 entered into between the Company and Kingsway Financial Services Group Limited in relation to the placing of up to an aggregate of 220,000,000 new Shares at the price of HK\$0.30 per Share with a placing commission payable to Kingsway Financial Services Group Limited equal to 4% of the aggregate placing price of the Shares successfully placed by it under the placing;
- (f) a conditional placing agreement dated 13 April 2015 entered into between the Company and CNI Securities Group Limited in relation to the placing of up to an aggregate of 162,000,000 new Shares at the price of HK\$0.21 per Share with a placing commission payable to CNI Securities Group Limited equal to 2% of the aggregate placing price of the Shares successfully placed by it under the placing;
- (g) a sale and purchase agreement dated 23 June 2015 entered into between the Company, Mr. Lu Xianglong, Mr. Zhu Huaipai, Mr. Wu Ruibiao and Mr. Cheung Siu Yu in relation to the sale and purchase of 51% equity interest in the Perfect Worth Investment Limited at an aggregate consideration of HK\$204,000,000;

- (h) a conditional placing agreement dated 9 September 2015 entered into between the Company and Supreme China Securities Limited in relation to the placing of up to an aggregate of 380,000,000 new Shares at the price of HK\$0.107 per Share with a placing commission payable to Supreme China Securities Limited equal to 2% of the aggregate placing price of the Shares successfully placed by it under the placing;
- (i) an acquisition agreement dated 23 September 2015 entered into between Silver Summit Investments Limited (“Silver Summit”), a wholly-owned subsidiary of the Company, and Mr. Lau Kan Sung Saville (柳勤嵩) and Mr. Lui Ka Yin (呂家賢), in relation to the acquisition of the entire share capital of MD Inc. Limited, at an aggregate consideration of HK\$47,000,000;
- (j) a disposal agreement dated 23 September 2015 and entered into between Silver Summit, as vendor, and Silver Bright Resources Limited (“Silver Bright”), as purchaser, in respect of the disposal of entire issued share capital of Digital Rainbow Holdings Limited and all obligations, liabilities and debts owing or incurred by the Digital Rainbow Holdings Limited and Ease Chance International Limited, at a Consideration of HK\$32,000,000, which shall be deemed to have been satisfied and/or made by Silver Summit to the Vendors by the set-off of the payment of an equivalent amount payable by Silver Bright to Silver Summit in respect of the acquisition of the Digital Rainbow sale Shares and the Digital Rainbow Sale Loan pursuant to the disposal agreement;
- (k) a supplemental agreement dated 30 November 2015 entered into the Company, Mr. Lu Xianglong, Mr. Zhu Huaipai, Mr. Wu Ruibiao and Mr. Cheung Siu Yu in relation to the sale and purchase of 51% equity interest in the Perfect Worth Investment Limited to amend the condition in the sale and purchase agreement dated 23 June 2015;
- (l) a supplemental agreement dated 31 December 2015 entered into the Company, Mr. Lu Xianglong, Mr. Zhu Huaipai, Mr. Wu Ruibiao and Mr. Cheung Siu Yu in relation to the sale and purchase of 51% equity interest in the Perfect Worth Investment Limited to amend and add certain terms and further extend the long stop date in the sale and purchase agreement dated 23 June 2015;
- (m) a conditional sale and purchase agreement dated 18 March 2016 entered into between the Company, as purchaser and the Azure Sea Developments Limited, as vendor in respect of the acquisition of the entire equity interest of Strategy King Holdings Limited at a consideration of HK\$170,000,000, which will be satisfied upon completion by allotment and issuance of 1,752,505,102 shares to the vendor, and by issuance of convertible bonds in the principal amount of HK\$42,067,127.53 to the vendor; and
- (n) a conditional sale and purchase agreement dated 24 March 2016 entered into between the Company, as vendor and Mr. Wong Ka Chun, as purchaser in respect of the sale of the entire equity interest in Paraburdoo Limited, a wholly-owned subsidiary of the Company, and all obligations, liabilities and debts owing or incurred by Paraburdoo Limited and its subsidiaries to the Company on or at any time prior to the completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on completion, at a consideration of HK\$2,000,000.

**11. EXPERT AND CONSENT**

The followings are the qualifications of the experts who have given opinion or advice which are contained or referred to in this Response Document:

<b>Name</b>	<b>Qualification</b>
BaoQiao Partners Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

BaoQiao Partners has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion herein of its letter, opinions or advice (as the case may be) and references to its names in the form and context in which it appears.

As at the Latest Practicable Date, BaoQiao Partners did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any direct or indirect interests in any assets which have been, since 31 March 2016 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at 17/F., No. 8 Wyndham Street, Central, Hong Kong from the date of this Response Document until the end of the Offer Period and will be displayed on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) and the website of the Company (<http://www.wealthglory.com>).

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 March 2015 and 2016;
- (c) the letter from BaoQiao Partners;
- (d) the letter from the Independent Board Committee;
- (e) the letter from the Board;
- (f) the service contracts as referred to in the section headed “Service contracts” in this appendix;
- (g) the material contracts as referred to in the section headed “Material contracts” in this appendix;



- (h) the written consent referred to in the section headed “Expert and consent” in this appendix;  
and
- (i) this Response Document.

**13. CORPORATE AND OTHER INFORMATION**

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s head office and principal place of business in Hong Kong is at 17/F., No. 8 Wyndham Street, Central, Hong Kong.
- (b) The secretary of the Company is Mr. Lee Wai Ming (“**Mr. Lee**”). Mr. Lee, aged 48, is the company secretary and financial controller of the Company and is responsible for the Group’s financial planning and management, company secretarial and corporate governance matters. He joined the Group in October 2013. He is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in auditing and accounting field. Prior to joining the Group, Mr. Lee had served various senior positions at various private and listed companies (the shares of which have been listed on the Growth Enterprise Market of the Stock Exchange). He had also served as a professional accountant in the audit department of an international audit firm for over 10 years.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (d) The English text of this Response Document shall prevail over their respective Chinese text in case of inconsistency.