HENGTEN NETWORKS GROUP LIMITED

恒 騰 網 絡 集 團 有 限 公 司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

(Stock Code of Warrants: 1493)

2015

◀ ANNUAL REPORT ▶

<For the nine months ended 31 December 2015>

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Peng Jianjun *(Chairman)*
(Appointment effective on 26 October 2015)
Mr. Liu Yongzhuo
(Appointment effective on 26 October 2015)
Mr. Huang Xiangui
(Appointment effective on 26 October 2015)
Mr. Zhuo Yueqiang
(Appointment effective on 26 October 2015)

Independent Non-executive Directors

Mr. Chau Shing Yim, David
(Appointment effective on 26 October 2015)
Mr. Nie Zhixin
(Appointment effective on 26 October 2015)
Mr. Chen Haiquan
(Appointment effective on 26 October 2015)

Audit Committee

Mr. Chau Shing Yim, David *(Chairman)*
(Appointed on 26 October 2015)
Mr. Nie Zhixin (Appointed on 26 October 2015)
Mr. Chen Haiquan (Appointed on 26 October 2015)

Remuneration Committee

Mr. Chau Shing Yim, David *(Chairman)*
(Appointed on 26 October 2015)
Mr. Peng Jianjun (Appointed on 26 October 2015)
Mr. Nie Zhixin (Appointed on 26 October 2015)

Nomination Committee

Mr. Peng Jianjun *(Chairman)*
(Appointed on 26 October 2015)
Mr. Nie Zhixin (Appointed on 26 October 2015)
Mr. Chen Haiquan (Appointed on 26 October 2015)

COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy
(Appointed on 26 October 2015)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 1501-07
One Pacific Place
88 Queensway
Hong Kong

SHARE REGISTRARS

Bermuda

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

Hong Kong

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

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

WEBSITE ADDRESS

http://www.htmimi.com

Dear Shareholders,

I am pleased to present the results of HengTen Networks Group Limited (the "Company" or "HengTen Networks") and its subsidiaries (the "Group") for the nine months ended 31 December 2015.

BUSINESS OVERVIEW

Manufacture and sales of accessories

The segment's turnover increased from approximately HK$100.1 million for the year ended 31 March 2015 to approximately HK$101.0 million for the nine months ended 31 December 2015, mainly due to completion of a significant order from a new customer during the period.

Due the relatively low margin of the above-mentioned significant order, the gross profit margin of the segment decreased from approximately 34.2% for the year ended 31 March 2015 to 26.8% on average for the nine months ended 31 December 2015. Nevertheless, with the decrease in selling and marketing costs and administrative expenses, the segment turned loss of approximately HK$1.1 million for the year ended 31 March 2015 to a profit of approximately HK$3.2 million for the nine months ended 31 December 2015.

Investments

The segment recorded a loss of approximately HK$23.6 million for the nine months ended 31 December 2015 as compared with a gain of approximately HK$4.7 million for the year ended 31 March 2015. The loss for the nine months ended 31 December 2015 was mainly attributable to a net realised loss from disposal of the unlisted convertible bonds designated at fair value through profit or loss of approximately HK$4.5 million, a net realised loss from fair value change in held for trading investment in securities of approximately HK$3.5 million and a net unrealised loss from fair value change in held for trading investments in securities of approximately HK$14.6 million.

Loan financing

During the nine months ended 31 December 2015, no new loan was granted and therefore no interest income was generated for this segment (31 March 2015: approximately HK$0.003 million).

Property investment

During the nine months ended 31 December 2015, rental income of approximately HK$0.8 million was generated.

With the decrease in fair value of investment properties as at 31 December 2015 as compared to 31 March 2015, a fair value loss of approximately HK$0.4 million was recognised during the nine months ended 31 December 2015. The decrease in fair value was mainly due to the slight decrease in the market price of the investment properties.

CHAIRMAN'S STATEMENT

Internet Community Service

(I) Market Overview

Community O2O mode has begun its exploration in the People's Republic of China (the "PRC") since 2014, and it is still in the early stage of development with fragmented market. Real estate companies, independent property companies and Internet companies have different perspectives on the development of the community O2O, and with intense competition, there is still no significant industry leader.

In March 2015, Premier Li Keqiang announced the Report on the Work of the Government, indicating that the government would formulate the "Internet Plus" Action Plan; In July, the State Council released the "Guiding Opinions on Actively Promoting the "Internet Plus" Action"; In October, the "13th Five-Year" Plan recommendations were reviewed and approved by the 18th Session of the Fifth Plenary Session. The abovementioned policies have clearly enhanced guidance and support, focusing on the promotion of new generation of information technology with the representation of mobile Internet, cloud computing, big data, Internet of Things, integration and innovation with manufacturing, energy, services, agriculture and other fields. The policies also enhance the development and growth of new industries and the creation of new industry growth area, strengthen the support of taxation and improve financing services, develop sharing economy, implement national big data strategy. Under the background of these policies, HengTen Networks, carrying the outstanding genes of the global real estate leader Evergrande Real Estate Group Limited ("Evergrande", and together with its subsidiaries, the "Evergrande Group") and the global Internet giant Tencent Holdings Limited ("Tencent"), entered the Internet community services, striving to build the "one-stop" community service platform with the largest traffic, the best service, the best experience and the most popular brand.

On 21 February 2016, the State Council released the "Several Opinions on Further Enhancing Urban Planning and Construction Management Work" and proposed "to promote street district in our new residential area and no longer build closed residential community in principle. The existing residential community and estates have to gradually open for public internal roads". The breakthrough of community and public transport system, the rise of open community, and the gradually entering of a variety of lifestyle service business establish a foundation for neighborhood social network, sharing economy and community business, and at the same time bring new challenges on home security to property owners. The Group is the first in the market to add the function of home security system for property owners with smart peephole as core during the launching of HengTen Mimi APP, becoming the first to occupy home security field. It is in line with the national policies and commences the strategy, becoming one of the profit growth points in the future.

With favorable policies, the macro-environment of "Internet Plus" accelerates the penetration of the Internet to communities. There are strong business opportunities and profitability in communities, and community service can make full use of the stock of resources of real estate, promote the cohesion of property owners, brand promotion and value-added specialties. In accordance with research, the year 2016 will be the activation period of the community O2O market and it will step into a rapid development period from 2017 onwards. Many companies will compete to enter the community O2O market with survival of the fittest, forming trend of separatist regime. Evergrande Group has a huge stock of real estate resources, having more than 100 cities nationwide, nearly 400 communities, with property areas of 50 million square metres and property owners of nearly 4 million. The current development scale of Evergrande Group's real estate segment is astonishing and new property owners are growing rapidly. Combining with the advanced Internet technology resources and huge user data base advantage of Tencent, we can cooperate to enter the Internet community service market with great synergy, rapidly seizing the Internet community service market worth trillions.

(II) Business Development

The Group released "3+2+x" business structure on 27 November 2015, which comprises three fundamental segments, being property services, neighborhood social networking and life services, and two value-added segments, being Internet home and community finance as well as those segments as might be derived in the future. The structure can comprehensively and effectively solve problems traditionally found in community property management and community resident life, and thereby create a comprehensive, efficient and useful social O2O platform and build an innovative "Internet + community" way of living. On 30 December 2015, HengTen Mimi APP 1.0, a community O2O platform developed by the Group, successfully completed its first phase wireless online launch, and was promoted online in the first batch of 12 pilot communities located in pilot cities such as Guangzhou, Shenyang, Shijiazhuang, Jinan, Luoyang, Wuhan, Changsha, Nanchang, Chengdu. This marks a substantial step being taken by the Group on building an "Internet Plus" way of living, laying a solid foundation to seize the community O2O market.

1. Fundamental Segments

HengTen Mimi APP 1.0 focuses on two fundamental segments, property services and neighborhood social networking. Property services segment provides online collection of property management fees and utilities fees, home facilities repair and maintenance, community information communication and other functions, connecting with smart peephole and other intelligent home security monitoring equipment. Internet realizes the integration of online-offline property services, providing immediate response to daily highly-demanded property needs of property owners, thus greatly enhance service efficiency, and improves the loyalty of users to the online service platform using the comprehensive range of hardware to software, and creates opportunities to expand to other additional services. Neighborhood social networking segment provides activities initiation, content sharing, photo wall event poll and other functions, and is committed to create high user activity and cohesion, realizing the advantageous feature of sharing economic based on community resource.

2. Value-added Segments

Internet home platform focuses on the needs of property owners, and is committed to building an interactive move-in condition one-stop service by customized design, combined package, online group purchase etc. In addition, its unique advantage of centralized procurement from its supplier alliance not only creates values for property owners but also creates a sustainable and profitable value-added business model for HengTen Networks.

As at 31 December 2015, the Internet home business has set up an alliance with 15 large well-known furniture and household textile units in the PRC, signed 2,175 home furniture products in 32 series and 178 household textile products in 26 series. The Internet home platform commenced development of exclusive products together with partnering suppliers for Evergrande real estate projects and completed the first round of review focusing on offline market research for home products in the first batch of 12 pilot communities, thereby laying the foundation for effective implementation of Internet home business.

The Group completed the preliminary research, development and planning of community life services, community Internet finance and other segments in 2015. Combining the resource advantages of Evergrande's diversified industries, the Group initiated the exploration of extensive strategic business model of resource sharing and complementary advantages.

(III) Team Building

With the support of human resources both online and offline, HengTen Networks has gradually established a complete team. (1) Online part: Comprising a team of capable staff in product, operation, research and development and industry cooperation functions, with core members all from largest domestic and overseas Internet companies. Substantially all of them graduated from top universities in the PRC and overseas. With an average age of 28 and average industry experience of 6.5 years, they possess innovative thinking, wide vision and flexible product development capability from the Internet industry, as well as high efficiency and execution ability inherited from the culture of Evergrande. (2) Offline part: Through seamless online teamwork cooperation and connection with the most experienced property management team in the PRC in community product marketing, implementation of services and organization of services, a complete service cycle was formed.

BUSINESS OUTLOOK

Manufacturing and sales of accessories

The Group expects the performance of manufacturing and sales of accessories will have a moderate growth in the year ahead. The traditional high quality designs of single-lens reflex camera bags with higher price have been reinvigorated with the end users being willing to pay in proportionate to the high price of their cameras. The action camera accessories market is slowly becoming saturated and the Group is concentrating on innovative solutions to retain a healthy share in this market. In addition, the Group is exploring new clients from various exhibitions and shows, especially in the audio/headphone and domestic appliance areas, which is expected to have positive contribution to the performance of the segment.

Contrary to earlier wary about the weak exchange rate of Euro affecting the performance for European sales, the turnover to the subcontinent has increased year-to-year with the Group having positive product propositions and expertise skill set. Taking a conservative approach, a moderate growth on overall performance is expected.

Internet Community Service

Looking forward to 2016, the Group will focus on improving user experience, expanding product capabilities, improving service quality in the first half year, and target to expand the scope of pilot areas in the second half year, promoting services and products to most of Evergrande communities.

(I) Product Development Plan

In 2016, HengTen Mimi products will continue to maintain rapid iteration and feature upgrades. HengTen Mimi APP 1.6 was released on 15 March 2016, and it is expected that the product requirement of HengTen Mimi APP 2.0 will be completed by the end of March 2016 and commence research and development. HengTen Mimi APP 1.6 will substantially upgrade and optimize the functions and experience of 1.0, providing system support to improve business satisfaction and internal operational efficiency.

1. *Fundamental Segments*

Since 30 December 2015, the Group has promoted smart peephole and other intelligent home security monitoring equipment in the first batch of 12 pilot communities of Evergrande, which is ahead of the urban planning construction policy announced by the State Council, in response to the security needs of the residents, and accounting for strategic advantage. The next step of property services segment is to continue to improve the quality of intelligent community management, and constantly improve basic community services, and strive to upgrade the platform to be the most convenient and the most trusted communication tool for property owners. Neighborhood social networking segment will develop interest and social groups, personalized desktop, social media sharing and other functions in order to enhance user loyalty to social platforms, incubate second hand trading, item, replacement, skill exchange segment. Life services segment plans to introduce online life services such as laundry, housekeeping, car-washing, education and training, collection of courier delivery, and other vertical categories based on the lifestyle demand and habits on basic necessities preference analysis of the community users. These approaches can increase common usage of fast payment methods on the Internet, and enhance convenience of life service for users.

2. *Value-added Segments*

Internet home plans to integrate with industry resources, and conduct site visits taking into account customer preferences, home configuration and other requirements. A wide range of multi-functional "home decoration design package" service is expected to be introduced to meet the needs of property owners for high quality home life. Besides, Internet home plans to perfect the needs of online e-commerce platform function model, enrich product series, and continue to develop offline projects in the pilot communities, in order to achieve systemization, standardization, reproducibility of the Internet home O2O model with online and offline combination. It is targeted to be launched in most of Evergrande communities and other communities across the PRC following the gradual maturity of the model.

Community finance

Community finance segment will introduce targeted household property insurance, including robbery and theft insurance, home improvement insurance, property damage insurance, etc., which combined with the smart peephole security equipment, strive to provide property owners with complete security services experience. Combining prepaid property management fees, community leasing and other community services, a new mode of community Internet finance of community household financial products will be developed. HengTen Mimi WeChat public account and the APP platform can become the best entry of introducing Internet finance to community. The introduction of insurance and financial products to HengTen Mimi platform for direct sales would offer an exclusive wealth management service to the property owners and customers.

3. *Derivative Segments*

The Group will integrate e-commerce, Internet home and other resources to establish Internet housing lease and trade platform, and form real estate major business service cycle, bringing HengTen Mimi APP to become a one-stop member service platform for customers and property owners.

The Group will combine with Internet payment platform to complete online payment and information collection of all business, thereby integrating large database, completing intelligent and data-support product planning and development system, and providing users with complete, customized products services, thus enabling precise marketing.

(II) Platform Operation Plan

In view of the vast blue ocean community market, a strategy of pilot first, orderly expansion and efficient advancement has been developed to realize step-by-step coverage of all Evergrande communities and other communities across the PRC. Through continuous exploration of highly-demanded property needs of community residents and neighborhood social networking model that adapts to local conditions, the loyalty of users to the platform will be improved, and all other kinds of services will be gradually launched so to realize a leaping increase in the number of users. In 2015, the Group's community O2O products have been fully launched in 12 pilot communities, providing high frequency and high quality property, social networking and life services for property owners in pilot communities. In accordance with the development scale objectives of the Group, the community O2O products service coverage will expand to most of Evergrande communities by 2016. The service will cover all Evergrande communities and will expand to other communities across the PRC, establishing its absolute leading position in the O2O market in 2017. The Group will continue its integration and development in domestic community in the future, and will advance the blue ocean market amounting to trillions of dollars.

Structured Contracts

Background

As disclosed in the sub-section headed "Business Overview" under the section headed "Chairman's Statement" in this report, the Group has entered into the community O2O market. The Company's O2O business includes (1) providing online collection of property management fees, facilities repair and maintenance, intelligent home security monitoring through the HengTen Mimi APP, which has been commenced recently and (2) publishing advertisement, collecting of membership registration fees, online orders, online payments, activating third party payment and other online application services, and providing platform services allowing third party vendors to set up online virtual shop, all through its PC websites or mobile Apps, which involves value-added telecommunication services such as e-commerce business (the "**Restricted Business**"). As advised by our PRC legal counsel, any business that falls under (1) above is not subject to any foreign ownership restrictions in the PRC whereas the Restricted Business, i.e. any business that falls under (2) above, is subject to foreign ownership restrictions in the PRC. As the Company is a company incorporated in Bermuda, it is classified as a foreign enterprise under the PRC laws, rules and regulations.

On 11 December 2001, the State Council adopted the Regulations on the Administration of Foreign-invested Telecommunication Enterprises (as amended on 10 September 2008, the "**FITE Regulations**"). Article 6 of the FITE Regulations provided that foreign ownership of foreign-invested telecommunication enterprises operating value-added telecommunication businesses cannot exceed 50%. At the same time, Article 10 of the FITE Regulations further provides that foreign investors in a foreign-invested telecommunication enterprise engaging in value-added telecommunication businesses shall have a good business record and experience in operating value-added telecommunication business (the "**Qualification Requirement**").

On 19 June 2015, Circular of the PRC Ministry of Industry and Information Technology on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business ("**Circular No. 196**") was issued, which allows foreign ownership in enterprises operating in certain categories of e-commerce business to up to 100%, but the foreign shareholder shall still be subject to other conditions and requirement for foreign investment, including the FITE Regulations on the Qualification Requirement.

We have been advised by our PRC legal counsel that after enquiring with the relevant telecommunications administration, the Company's business operations fall under the "online data and transaction processing business" (B21) (the "**Online Data and Transaction Processing Business**") and "information services business" (B25) (the "**Information Services Business**") in the second category of value-added telecommunication businesses in the Classification Catalogue of Telecommunication Services (2015 version, effective from 1 March 2016) (the "**Catalogue**").

Accordingly, our PRC legal counsel advised that currently, the Online Data and Transaction Processing Business can have foreign ownership of up to 100%. However, the foreign investor must meet the Qualification Requirement. The Information Services Business can only have foreign ownership of up to 50% and the foreign investor must meet the Qualification Requirement.

As the WFOE's current foreign shareholders do not meet the Qualification Requirement, irrespective of which category the WFOE's business is treated to be under, there are still substantial legal impediments for the WFOE in directly applying for the relevant e-commerce operation licenses and permits.

As a result, the Restricted Business of the Group is carried out by Shenzhen HengTen Networks Company Limited ("**OPCO**", 深圳市恒騰網絡有限公司) under the Structured Contracts with Shenzhen HengTen Networks Services Company Limited ("**WFOE**", 深圳市恒騰網絡服務有限公司), a wholly-owned subsidiary of the Company. The Structured Contracts are detailed below under the paragraph headed "The Structured Contracts".

The Company agrees that it would unwind the Structured Contracts as soon as the relevant laws and regulations allow foreign investors to own the entire equity interest of the OPCO.

We have been advised by our PRC legal counsel that the Structured Contracts do not contravene the PRC laws, rules and regulations, including those applicable to the business of the WFOE and the OPCO.

The OPCO is 55% owned by Ms. Deng Miaojing ("**Ms. Deng**") and 45% owned by Ms. Yu Siyu ("**Ms. Yu**", together with Ms. Deng, the "**OPCO Shareholders**").

For the Group, the community O2O business product are currently in the forms of the HengTen Mimi APP and the online e-commerce platform-HengTen Mimi Home. As disclosed in the sub-section headed "Business Overview" under the section headed "Chairman's Statement" in this report, the Group started developing its O2O business at the end of 2015. The Restricted Business of the Group needs to be operated by the OPCO in order to obtain registered user and traffic growth, thus acquiring core user base and platform for commencing the Group's business. Looking forward to the near future, the Group expects to grow the O2O business and accordingly, it is expected that the O2O business will become one of the principal businesses of the Group in the future. As the Restricted Business is a material component of the Group's O2O business, the performance of which is expected to become material to the overall performance of the Group in the future.

The OPCO plans to conduct its business through PC websites or mobile Apps which it owns or is authorised to operate. The business which OPCO plans to operate includes publishing advertisement information to internet users, collecting of membership registration fees, online orders, online payments, activating third party payment and other online application services, and such types of businesses relate to the Information Services Business). Furthermore, OPCO also plans to provide platform services through its PC websites or mobile Apps allowing third party vendors of goods or services to set up online virtual shop, and such types of businesses relate to the Online Data and Transaction Processing Business.

As the Structured Contracts were entered into after 31 December 2015, no revenue or assets are subject to the Structured Contracts for the year ended 31 December 2015.

The Structured Contracts

The Structured Contracts are designed to enable the Group to recognise and receive the economic benefit of the business and operations of the OPCO together with effective control over and (to the extent permitted by PRC laws, rules and regulations) the right to purchase the equity interests in and/or assets of the OPCO.

(1) Exclusive Management Consultancy Service Agreement

Pursuant to the Exclusive Management Consultancy Service Agreement dated 1 April 2016 between WFOE and OPCO, among other things, WFOE agreed to provide the relevant technological support and management consultancy services, consultancy on procurement of software and hardware, staff training and support, development and marketing of various platforms, industry consultancy and product development and business partners and market information to OPCO as OPCO's exclusive service provider; and is entitled to receive service fees at a range of 90% to 100% of the total monthly operating profit of OPCO. Except as otherwise agreed, the OPCO shall not accept the same range of service provided by any third parties in the effective period of the agreement.

(2) Business Management Agreement

Pursuant to the Business Management Agreement dated 1 April 2016 between WFOE, OPCO and OPCO Shareholders, among other things,

- OPCO Shareholders agreed to procure OPCO not to enter into any transaction which may materially affect its assets, business operation, human resources, right and obligations, or company management, unless with prior written consent from WFOE or any third party designated by WFOE;
- OPCO and OPCO Shareholders agreed to strictly implement relevant proposals from WFOE from time to time in relation to OPCO's recruitment and dismissal of employee, day-to-day business management, financial management, etc.; and
- each of OPCO Shareholders agreed to, upon receiving any dividend or any other earnings or income from OPCO as its shareholder, immediately and unconditionally pay or transfer all such earnings or income to WFOE at nil consideration.

(3) Call Option Agreement

Pursuant to the Call Option Agreement dated 1 April 2016 between WFOE, OPCO and OPCO Shareholders, OPCO Shareholders granted WFOE an unconditional, irrevocable and exclusive call option to, as and when permitted by applicable PRC laws, rules and regulations, purchase all or any part of the equity interests in OPCO held by OPCO Shareholders for a consideration of RMB10,000, or when appraisal is required under PRC laws, rules and regulations, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws, rules and regulations.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement dated 1 April 2016 between WFOE and OPCO Shareholders, OPCO Shareholders pledged the entire equity interests in OPCO to WFOE as security for the performance of the obligations under the Exclusive Management Consultancy Service Agreement, Business Management Agreement and Call Option Agreement. The filing procedures of the equity pledge were completed on 15 April 2016.

(5) Powers of Attorney

Pursuant to the Powers of Attorney dated 1 April 2016 executed by each of OPCO Shareholders, directors of WFOE and their successors were irrevocably appointed as the attorney of the OPCO Shareholders to, among other things, exercise all rights of OPCO Shareholders, including but not limited to the rights to vote in a shareholders' meeting, appoint directors and other senior executives, sign minutes, file documents with the relevant companies registry, and sell, transfer, pledge or deal in the equity interest held by OPCO Shareholders.

(6) Undertakings

Pursuant to the Undertakings dated 1 April 2016 executed by Ms. Deng and Ms. Yu (being the OPCO Shareholders) respectively,

- any successor to her shall hold the respective equity interest in OPCO subject to the conditions, requirements and obligations under the Undertaking and the Structured Contracts;

- her respective equity interest in OPCO does not form part of the community property, and her decisions in relation to OPCO shall not be affected by her spouse;

- she will neither, directly or indirectly (either on her own or through any other individual or legal entity), participate or be engaged in any business which is or may be in competition with the business of OPCO or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between herself and WFOE;

- in the event that she receives any asset in relation to the liquidation of OPCO, she agrees to transfer to WFOE such assets at nil consideration or at the lowest consideration as permitted by the then applicable laws and regulations; and

- in the event that she receives any amount from WFOE or any third party in relation to the exercise of the call option under the Call Option Agreement, she agrees to unconditionally return all such amount to WFOE or any third party designated by WFOE.

Pursuant to the Undertaking dated 1 April 2016 executed by Mr. Li Yueqi, Ms. Deng's spouse,

- the equity interest in OPCO held by Ms. Deng does not form part of the community property; and

- any income arising in relation to such equity interest in OPCO shall be solely owned and disposed by Ms. Deng and he will neither claim any rights to such income, nor participate in the management of the business operation of OPCO.

As advised by our PRC legal counsel, appropriate provisions have been incorporated in the Structured Contracts to protect WFOE's interests in the event of death, bankruptcy or divorce of the OPCO Shareholders of its equity interest in OPCO to avoid any practical difficulties in enforcing the Structured Contracts. The Structured Contracts encompass certain provisions setting out that the respective contracts shall be legally binding on the legal assignees or successors of the parties thereto.

We have also implemented measures to protect against the potential conflicts of interest between the Group and the OPCO Shareholders. Pursuant to the Business Management Agreement, the OPCO and OPCO Shareholders agreed to strictly implement relevant proposals from WFOE from time to time in relation to OPCO's recruitment and dismissal of employee, day-to-day business management, financial management, etc. Under the Call Option Agreement, the OPCO Shareholders granted WFOE an unconditional, irrevocable and exclusive call option to purchase all or any part of the equity interests in OPCO as and when permitted by applicable PRC laws, rules and regulations. Furthermore, under the Powers of Attorney executed by the OPCO Shareholders, directors of WFOE and their successors were irrevocably appointed as the attorney of the OPCO Shareholders to exercise the shareholders' rights in OPCO on behalf of the OPCO Shareholders. As a result, we have minimised the OPCO Shareholders' influence on the business operations of OPCO.

The entering into of the Structured Contracts did not constitute any notifiable transaction required to be disclosed under Chapter 14 of the Listing Rules, nor any connected transaction of the Company under Chapter 14A of the Listing Rules as, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the OPCO Shareholders and the OPCO were not connected persons of the Company.

The risks associated with the Structured Contracts and the actions taken by the Company to mitigate the risks (where applicable)

Business risks and financial risks borne by the Group as the primary beneficiary of OPCO

As the primary beneficiary of OPCO, the Group is exposed to the business risks and financial risks faced by OPCO. Any profit or loss of the OPCO will be reflected in the consolidated financial results of the Group.

The OPCO is now in the process of applying for the relevant e-commerce operation licenses and permits. If the OPCO fails to obtain the requisite licenses and approvals to operate the Restricted Business in the PRC, the Group's O2O business may be adversely affected.

The PRC government may determine that the Structured Contracts do not comply with applicable PRC laws, rules and regulations

As advised by our PRC legal counsel, the Structured Contracts do not contravene the PRC laws, rules and regulations applicable to the business of the WFOE and OPCO, do not contravene the articles of association of the WFOE and OPCO respectively, and would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC Contract Law. The Structured Contracts are valid and enforceable against the parties to the Structured Contracts. Our PRC legal counsel also confirms that all necessary actions or steps have been taken to enable it to reach its legal conclusions.

Despite there is currently no indication that the Structured Contracts will be interfered or objected by any PRC regulatory authorities, our PRC legal counsel has advised that there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant PRC laws, rules and regulations and would not agree that the Structured Contracts can be performed under the applicable PRC laws, rules and regulations that may be adopted in the future, and the authorities may deny the validity, effectiveness and enforceability of the Structured Contracts.

Possible impact of the draft PRC Foreign Investment Law (the "Draft Law") and its explanation published by the Ministry of Commerce of the PRC on 19 January 2015 on the Structured Contracts and the business of the OPCO

On 19 January 2015, the Ministry of Commerce of the PRC published the Draft Law. As advised by our PRC legal counsel, the Draft Law introduced the concept of "actual control" when determining whether a PRC domestic enterprise is in fact a foreign-invested enterprise instead of its place of incorporation. "Control" includes shareholding, decision making or other powers of controlling policy making, or absolutely influencing the operations, finances, human resources and technical aspects of a company through contracts or trusts. As such, there is a risk that the Structured Contracts will be subject to a change in legal position. According to the definition under the Draft Law, if the actual controller under the Structured Contracts is a foreign investor, the domestic enterprise will also be viewed as a foreign investor or a foreign enterprise, and its operations will be in breach of the law prior to obtaining the relevant permission.

Nevertheless, our PRC legal counsel advised that as there are uncertainties on the final content and interpretations of the Draft Law if and when it is adopted and becomes law, there is no assurance whether the Structured Contracts and the business of the OPCO will be materially affected or not in the future. In addition, our PRC legal counsel also believes that due to the long legislative process of the PRC, the Draft Law is unlikely to come into effect in the near future.

If the Draft Law is to be interpreted in the most stringent way and the authorities deny the validity, effectiveness and enforceability of the Structured Contracts, the Group would lose control of OPCO, be unable to consolidate the financial results of OPCO, or properly safeguard, award or control the assets of OPCO, which would result in a material adverse effect on the Group's business, financial condition and results of operations.

In order to continuously monitor the development of the Draft Law to assess the possible impact on the Structured Contracts and the business of the OPCO, the Board will monitor the updates of the Draft Law and discuss with the Company's PRC legal counsel on a regular basis. In case there would be material impact on the Group or the business of the OPCO, the Company will timely publish announcements in relation to material developments of and arising from the Draft Law.

The Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in OPCO as direct ownership

The Structured Contracts may not be as effective in providing the WFOE with control over and entitlement to the economic interests in OPCO as direct ownership. If WFOE had direct ownership of OPCO, WFOE would be able to directly exercise its rights as a holder of equity interest to effect changes in the board of directors of OPCO.

However, under the Structured Contracts, WFOE can only rely on OPCO and OPCO Shareholders' performance of their contractual obligations to exercise effective control. The OPCO Shareholders may not act in the best interests of the WFOE or may not perform their obligations under the Structured Contracts. Such risks exist and the Group expects them to continue to exist throughout the period in which the Group intends to operate its business through the Structured Contracts with OPCO.

In addition, the Group has not purchased any insurance to cover risks relating to the enforcement of the Structured Contracts due to unavailability of such insurance product in the market at the moment based on the best knowledge of the Group. Therefore, the Structured Contracts may not be as effective as direct ownership in providing the Group with control over OPCO.

The exercise of the call option under the Call Option Agreement is subject to applicable laws and regulations of the PRC. There is no assurance that the call option to purchase the entire equity interests in OPCO held by the OPCO Shareholders under the Call Option Agreement will be permitted in the future, or whether such acquisition will incur any costs and expenses to the Group in addition to the consideration stipulated under the Call Option Agreement. For instance, if the consideration for the transfer of equity interest in OPCO to WFOE required by the PRC laws, rules and regulations is substantially high and the OPCO Shareholders fail to return the consideration to the WFOE or if the competent tax authority require the WFOE to pay enterprise income tax for such returned ownership transfer income with reference to the market value instead of the consideration as stipulated under the Call Option Agreement, in which case the WFOE may be subject to a substantial amount of tax, the financial conditions of the WFOE may be materially and adversely affected.

Potential conflicts of interest among the WFOE, OPCO and the OPCO Shareholders may exist

OPCO and OPCO Shareholders may fail to take certain actions required for the Group's business or to follow WFOE's instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective Structured Contracts with the WFOE, the WFOE may have to rely on legal remedies under the PRC laws, including seeking specific performance or injunctive relief, which may not be effective.

Pursuant to the Exclusive Management Consultancy Service Agreement, Business Management Agreement, Call Option Agreement and Equity Pledge Agreement (the "**Corporate Contracts**"), any disputes arising from these agreements between the parties thereto should first be resolved through negotiation, failing which by arbitration at the South China International Economic and Trade Arbitration Commission (also known as the Shenzhen Court of International Arbitration) ("**SCIETAC**") in accordance with the arbitration rules thereof (the "**Arbitration Clause**"). The arbitral tribunal may award remedies over the shares or land assets of OPCO, injunctive relief (such as stipulating certain conducts of business or compelling transfer of assets) or order the winding up of OPCO. Any disputes between the parties to the Powers of Attorney and the Undertakings may be referred to arbitration under the Arbitration Clause if the arbitral tribunal and/or the PRC court consider that those disputes fall under the scope of the Arbitration Clause under the Structured Contracts.

The Structured Contracts also provide that pending formation of the arbitral tribunal or in appropriate cases, the courts of Hong Kong, the Company's place of incorporation (Bermuda), OPCO's place of establishment (the PRC), the jurisdiction where the principal assets of the Company and OPCO are located (the PRC) have the power to grant interim remedies in support of the arbitration.

However, as advised by the PRC legal counsel of the Company, according to the PRC laws, rules and regulations, the arbitral tribunal normally would not grant such kind of remedies or injunctive relief or winding up order of such PRC operational entities as the OPCO under the PRC laws, rules and regulations. For instance, the arbitral tribunal has no authority to grant such injunctive relief, nor will it be able to order the winding up of the PRC operational entities pursuant to existing PRC laws, rules and regulations. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and Bermuda may not be recognizable or enforceable in the PRC.

Furthermore, as the parties to the Structured Contracts are PRC entities and the subject matters contained therein are related to the PRC, the courts of Hong Kong and Bermuda may not accept that they are the proper forum for legal proceedings concerning the disputes (not including a request for interim remedies and any other remedies in support of the arbitration) between the parties arising under the Structured Contracts.

The courts of Hong Kong may grant an interim remedies in support of arbitral proceedings commenced pursuant to the Arbitration Clause only if the arbitral proceedings are capable of giving rise to an arbitral award that may be enforced in Hong Kong and the interim remedies sought belongs to a type or description of interim remedies that may be granted in Hong Kong in relation to arbitral proceedings by Hong Kong courts. There is a risk that the courts of Hong Kong may refuse such interim remedies because an arbitral award from SCIETAC may be refused enforcement in Hong Kong because SCIETAC is currently not a recognized Mainland arbitral authority (as defined in the Hong Kong Arbitration Ordinance (Cap. 609), but SCIETAC could acquire such status when a dispute arises.

Further, the court of Hong Kong may decline to grant an interim remedies on the ground that (a) the interim remedies sought is currently the subject of arbitral proceedings; and (b) the court considers it more appropriate for the interim remedies to be dealt with by the arbitral tribunal.

If any of the parties refers any dispute (not including a request for interim remedies and any other measures in support of the arbitration) arising out of the Structured Contracts to the court of Hong Kong and the dispute falls within the scope of the Arbitration Clause, the court will, if a party so requests not later than when submitting his first statement on the substance of the dispute, refer the parties to arbitration unless it finds the Arbitration Clause null, void, inoperative or incapable of being performed.

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on the WFOE. The WFOE may face adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Structured Contracts were not entered into on an arm's length basis, they may adjust the income and expenses of the WFOE for PRC tax purposes, which could result in higher tax liabilities on the WFOE.

The operating and financial results of WFOE may be materially and adversely affected if the tax liabilities of OPCO or those of WFOE increase significantly or if they are required to pay interest on late payments.

Internal control measures

The Company has put in place effective internal controls over WFOE and OPCO to safeguard its assets held through the Structured Contracts. As a wholly-owned subsidiary of the Company, WFOE is subject to all the internal control processes and procedures applicable to the Group.

The operations of OPCO are exclusively controlled by WFOE through the Structured Contracts and the Group has applied its internal control processes and procedures to OPCO.

In particular, pursuant to the Structured Contracts, WFOE has the right to appoint, and has appointed, the directors, general manager, chief financial officer and other senior management of OPCO and WFOE has the right to hire and terminate employees of OPCO.

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this report or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

APPRECIATION

I would like to take this opportunity to thank our shareholders, investors and business parties for their continuing support to the Group, and to my colleagues for their valuable contribution during the nine months ended 31 December 2015.

By order of the Board
HengTen Networks Group Limited
Peng Jianjun
Chairman

Hong Kong, 21 March 2016

FINANCIAL RESULTS

The loss attributable to shareholders of the Company ("Shareholders") for the nine months ended 31 December 2015 amounted to approximately HK$227.8 million, which was increased by approximately HK$99.4 million as compared to a loss of approximately HK$128.4 million for the year ended 31 March 2015. The loss was mainly attributable to:

(i) staff cost of approximately HK$216.2 million, of which approximately HK$184.8 million arising from employee share option schemes (31 March 2015: staff cost of approximately HK$61.7 million, of which approximately HK$20.4 million arising from employee share option schemes); and

(ii) net loss in fair value of financial assets at fair value through profit or loss of approximately HK$22.6 million (31 March 2015: net gain of approximately HK$4.4 million).

The basic and diluted loss per share was HK0.29 cents for the nine months ended 31 December 2015, as compared to that of HK0.96 cents (restated) for the year ended 31 March 2015.

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through fund raising exercise, other borrowings and shareholder's equity. During the nine months ended 31 December 2015, the liquidity of the Group was closely monitored by the Board and the Company explored various initiatives to seek new funding and improve the debt to equity ratio by raising funding in the equity market with an aim to enhance the capital base of the Company.

Liquidity

As at 31 December 2015, the Group maintained cash and bank balances of approximately HK$764.1 million (as at 31 March 2015: approximately HK$45.8 million). The increase in cash and bank balances was mainly due to the proceeds from exercise of the Existing Warrants (defined below) and issue of new shares from Subscription (defined below).

Capital Resources

(i) Exercise of the bonus warrants during the nine months ended 31 December 2015

The bonus warrant issue to Shareholders on the basis of one warrant (the "Existing Warrant") for every five shares held on the record date, entitling the warrantholders to subscribe in cash for one new share at an initial subscription price of HK$0.1 per new share, at any time from 24 February 2015 to 23 February 2017 (both days inclusive) was announced on 24 December 2014 and completed on 24 February 2015. The subscription price is adjusted to HK$0.2 per new share upon the Share Consolidation as mentioned in paragraph (ii) below. During the nine months ended 31 December 2015, 652,483,988 new shares had been issued and allotted upon exercise of HK$130,496,797.60 Existing Warrants (adjusted with Share Consolidation) with net proceeds of approximately HK$130.5 million. The net proceeds of approximately HK$36.2 million, HK$5.8 million and HK$34.6 million have been used for investment, the financing of the interest expenses of the convertible bonds and as general working capital, respectively.

(ii) Capital reorganisation, issue of new shares and unlisted new warrants and share consolidation

As disclosed in the circular of the Company dated 21 September 2015 (the "Circular"), the Company proposed to carry out, among others, (a) capital reorganisation, (b) issue of new shares and unlisted new warrants and (c) share consolidation.

(a) The capital reorganisation involved reduction of nominal value of each issued share from par value of HK$0.01 each to HK$0.001 each by cancellation of the paid-up capital of the Company to the extent of HK$0.009 on each issued share and subdivision of each of the authorised but unissued shares of HK$0.01 each into 10 shares of par value of HK$0.001 each (the "Capital Reorganisation"). Upon the Capital Reorganisation becoming effective on 16 October 2015, the credit arising from the Capital Reorganisation of approximately HK$330.7 million was set off against the accumulated losses of the Company. The authorised share capital of the Company has become HK$2,000,000,000 divided into 2,000,000,000,000 shares of HK$0.001 each.

(b) The issue of new shares and unlisted new warrants related to a subscription agreement entered into between, among others, the Company, Evergrande Real Estate Group Limited ("Evergrande") and Mount Yangdang Investment Limited ("Mount Yandang"), a wholly-owned subsidiary of Tencent Holdings Limited ("Tencent"), on 15 June 2015 (as supplemented on 2 October 2015) (the "Subscription Agreement"). Pursuant to the Subscription Agreement, Evergrande and Mount Yandang agreed to subscribe for, and the Company agreed to allot and issue (i) new ordinary shares at a price of HK$0.0061 per share which represents 75.0% of the enlarged total issued share capital of the Company immediately after the issue of the new shares and (ii) new warrants (the "New Warrants") at an aggregate nominal consideration of HK$2, subject to the terms of the Subscription Agreement. The initial exercise price of the New Warrants is HK$0.0061 per share, subject to adjustments. The subscription period of the New Warrants is five years from the date of issue.

As a result of the completion of the Capital Reorganisation and fulfilment of other conditions as set out in the Subscription Agreement, 80,835,141,820 new ordinary shares of HK$0.001 each and HK$57,418,811.1948 New Warrants were issued to a wholly-owned subsidiary of Evergrande and 29,394,597,026 new ordinary shares of HK$0.001 each and HK$20,879,567.7072 New Warrants were issued to a wholly-owned subsidiary of Tencent (collectively referred to as the "Subscription") on 26 October 2015. The net proceeds from the Subscription was approximately HK$661.1 million and remained as bank deposit and to be used as intended.

(c) The share consolidation involved consolidation of every two issued and unissued shares of par value of HK$0.001 each into one consolidated share of par value of HK$0.002 each (the "Share Consolidation"). Upon the Share Consolidation becoming effective on 27 October 2015, (i) the initial exercise price of each of the Existing Warrant was adjusted from HK$0.1 per share to HK$0.2 per consolidated share and the total number of shares to be issued upon full exercise of the Existing Warrants is adjusted accordingly, (ii) the initial exercise price of the New Warrants was adjusted from HK$0.0061 per share to HK$0.0122 per consolidated share and the total number of shares to be issued upon full exercise of the New Warrants was adjusted from 12,835,799,820 shares to 6,417,899,910 consolidated shares and (iii) the authorised share capital of the Company has become HK$2,000,000,000 divided into 1,000,000,000,000 shares of HK$0.002 each.

Borrowings and Gearing Ratio

As at 31 December 2015, the Group's net equity amounted to approximately HK$732.0 million (as at 31 March 2015: net deficit of approximately HK$27.7 million) with total assets amounted to approximately HK$866.3 million (as at 31 March 2015: approximately HK$125.5 million). Net current assets were approximately HK$771.3 million (as at 31 March 2015: net current assets of approximately HK$8.8 million) and the current ratio was 12.1 times (as at 31 March 2015: 1.1 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing bank and other borrowings plus convertible bonds and obligations under finance lease) over shareholders' funds was 8.32% (as at 31 March 2015: (235.07%)).

CHARGE OF ASSETS

As at 31 December 2015, margin facilities of approximately HK$19.5 million from one regulated securities broker were granted to the Group under which financial assets at fair value through profit or loss of approximately HK$50.0 million were treated as collateral for the facilities granted (as at 31 March 2015: no margin facility was granted to the Group as no listed equity securities were held by the Group).

CURRENCY RISK MANAGEMENT

The majority of the Group's assets are denominated in Hong Kong Dollars with no material foreign exchange exposure. The Group's manufacturing business also operates in overseas market, which alone accounts for approximately HK$82.7 million of the Group's sales turnover. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting sale orders quoted in US dollars, which in turn could enable the management to maintain a stable currency exchange condition for normal trading business development. The Group currently does not have a foreign currency hedging policy. During the nine months ended 31 December 2015, the Directors are of the view that the Group's exposure to exchange rate risk is not material, and will continue to monitor it.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENT

As at 31 December 2015, the Group has capital commitment of approximately HK$110,019,000 for the purchase of technology equipment in relation to development of the internet community service online platform (as at 31 March 2015: nil).

CONTINGENT LIABILITIES

The Company and the Group had not provided corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 31 December 2015 (as at 31 March 2015: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 313 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage, mandatory provident fund and share option scheme. Total staff costs for the nine months ended 31 December 2015, including directors' emoluments, amounted to approximately HK$216.2 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the nine months ended 31 December 2015 (year ended 31 March 2015: nil).

MATERIAL ACQUISITION AND DISPOSAL

During the nine months ended 31 December 2015, there was no material acquisition and disposal.

The biographical details of Directors and senior management as at 21 March 2016, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Peng Jianjun, aged 45, has over 20 years of experience in management of large enterprises. Mr. Peng has been serving Evergrande Real Estate Group Limited and its subsidiaries ("Evergrande Group") since 2007 and has served as a vice president of Evergrande Group and the general manager of the Evergrande hotel group and the chairman of the board of directors of the Evergrande grain and oil group.

Mr. Peng graduated from Jinan University with a PhD degree in management, master's degree in business administration and obtained a bachelor's degree in economics from Xiangtan University. Mr. Peng is also a senior economist, an adjunct professor at Jinan University, a doctoral tutor at the City University of Macau and the executive president of the Guangdong Hotel Industry Association. He has published books such as "Managing Customers' Complaints" (《顧客抱怨管理》).

Mr. Liu Yongzhuo, aged 35, has over 13 years of experience in human resource management, investment and operation of real estate projects and management and operation of multi-industry companies. Mr. Liu has been serving Evergrande Group since 2003 and has served as the chairman of the board of directors of Evergrande culture industry group and the Evergrande spring water group. He is now serving as a vice president of Evergrande Group and the chairman of the board of directors of Guangzhou Evergrande Taobao Football Club.

Mr. Liu graduated from East China Normal University and Wuhan University of Technology and obtained a bachelor's degree in business management and a master's degree in engineering.

Mr. Huang Xiangui, aged 45, has over 18 years of experience in marketing, human resource management and operation, management of foreign-funded enterprises, capital market and investors relation management. Mr. Huang has been serving Evergrande Group since 2004 and now serves as an executive director of Evergrande Real Estate Group Limited (Stock Code: 3333), the assistant to president and the general manager of the Hong Kong office. Evergrande Real Estate Group Limited is a company listed on the Stock Exchange. Mr. Huang also acts as a director of certain subsidiaries of the Company.

Mr. Huang graduated from Harbin Engineering University and University of Stirling in the United Kingdom and obtained a bachelor's degree in chemical engineering and a master of science degree in banking and finance.

Mr. Zhuo Yueqiang, aged 40, has over 9 years of experience in management in the mobile internet business. Mr. Zhuo has been serving Tencent since 2004 and has served as the manager of South China area of the mobile internet group and the general manager of the business operations department of the mobile internet group of Tencent. Since 2015, Mr. Zhuo has been serving as the manager and the primary person in charge of the business co-operation department of the Weixin group of Tencent.

Mr. Zhuo graduated from the Beijing Institute of Technology and obtained a bachelor's degree in communications engineering.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, **David**, aged 52, has over 22 years of experience in initial public offerings, restructuring of PRC enterprises and cross-border and domestic takeovers. Mr. Chau is currently an independent non-executive director of Evergrande Real Estate Group Limited (Stock Code: 3333), Evergrande Health Industry Group Limited (Stock Code: 708), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), Man Wah Holdings Limited (Stock code: 1999), Richly Field China Development Limited (Stock code: 313), and Varitronix International Limited (Stock Code: 710). The shares of all the aforementioned companies are listed on the Stock Exchange.

During the last three years, Mr. Chau has been an executive director of Zhidao International (Holdings) Limited (Stock Code: 1220) and an independent non-executive director of Up Energy Development Group Limited (Stock Code: 307), Shandong Molong Petroleum Machinery Company Limited (Stock Code: 568) and China Solar Energy Holdings Limited (Stock Code: 155). The shares of all the aforementioned companies are listed on the Stock Exchange.

Mr. Chau was formerly a partner of one of the big four accounting firm in Hong Kong, heading the merger and acquisition and corporate advisory services department. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales ("ICAEW"), holding the Corporate Finance Qualification granted by ICAEW and by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Chau was an ex-committee member of the Disciplinary Panel of HKICPA.

Mr. Nie Zhixin, aged 53, is the standing vice president of the Henan Chamber of Commerce in the Guangdong province, vice president of the Tianhe Road Chamber of Commerce in Guangzhou, vice president of the Chain-operations Management Association in Guangzhou and general manager of Gladith Fashion Co., Ltd. in Guangzhou. In 1990, Mr. Nie established the "GLADITH • 葛來娣" fashion brand in Guangzhou which has now become one of the well known women's fashion brands in the PRC.

Mr. Chen Haiquan, aged 46, is a doctorate holder from the Chuo University, Japan, a professor at the Jinan University. He also serves as the representative of the Guangdong Institute of Asia-pacific E-commerce, dean of the Guangdong Research Institute of Modern Logistics, vice president and secretary-general of the Association of Logistics and Supply Chain in the Guangdong province and vice president of the Association of Business and Economics in the Guangdong province. Mr. Chen also serves as an independent director of Guangzhou Friendship Group Co., Ltd. (listed on the Shenzhen Main Board with Stock Code: 00987).

Mr. Chen graduated from the graduate school of Daito Bunka University, Japan and the graduate school of Chuo University, Japan and obtained a master's degree in economics and a doctorate in comprehensive policy, respectively.

SENIOR MANAGEMENT

Ms. Chan Oi Ling, **Maria Olimpia**, aged 72, is the founder of the Group. Ms. Chan was the chairman of the Company up to 7 April 2008. After resignation from the Board, Ms. Chan remains a director of certain subsidiaries of the Company so as to facilitate her to give advice and pass on her valuable experience in the manufacturing and sales of goods operations. Ms. Chan has over 40 years' experience in the industry of manufacturing and sale of accessories for photographic products.

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices of the Company are crucial to the smooth and effective operation of the Group and the safeguarding of the interests of the Shareholders and other stakeholders. The Company complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") during the nine months ended 31 December 2015 except for the following deviations from the Code provision:

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the nine months ended 31 December 2015, Mr. Chung Yuk Lun acted as the Company's Acting Chairman from 1 April 2015 to 30 April 2015 and was re-designated and acted as the Chairman from 1 May 2015 to 26 October 2015. The Company has no such title as chief executive officer but the daily operation and management of the Company were monitored by Mr. Chung Yuk Lun, an executive Director, who was also the Acting Chairman of the Company. Since the appointment of Dr. Kwong Kai Sing, Benny as the managing director of the Company on 1 May 2015, the daily operation and management of the Company have been monitored by the managing director of the Company until 26 October 2015. Since 26 October 2015, the overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

BOARD OF DIRECTORS

The Board determines the overall strategies, monitors and controls operating and financial performance, analyses and formulates strategies to manage risks in pursuit of the Group's strategic objectives. The Board also decides on matters such as annual and interim results, dividend policy, director appointments, and significant changes in accounting policy, material contracts and major investments. The Board has delegated the authority and responsibility of overseeing the Group's day-to-day operations to management executives.

Composition of the Board

During the nine months ended 31 December 2015 and up to the date of issue of this annual report, the Board comprises the following executive Directors and independent non-executive Directors.

Executive Directors:

Mr. Peng Jianjun (Chairman) (Appointment effective on 26 October 2015)
Mr. Liu Yongzhuo (Appointment effective on 26 October 2015)
Mr. Huang Xiangui (Appointment effective on 26 October 2015)
Mr. Zhuo Yueqiang (Appointment effective on 26 October 2015)
Mr. Chung Yuk Lun (ex-Chairman) (Re-designated as Chairman on 1 May 2015 and resigned on 26 October 2015)
Dr. Kwong Kai Sing, Benny (ex-Managing Director) (Appointed on 1 May 2015 and resigned on 26 October 2015)
Mr. Chow Chi Wah, Vincent (Resigned on 26 October 2015)

Independent non-executive Directors:

Mr. Chau Shing Yim, David (Appointment effective on 26 October 2015)
Mr. Nie Zhixin (Appointment effective on 26 October 2015)
Mr. Chen Haiquan (Appointment effective on 26 October 2015)
Mr. Frank H. Miu (Resigned on 26 October 2015)
Mr. Robert James Iaia II (Resigned on 26 October 2015)
Mr. Hung Cho Sing (Resigned on 26 October 2015)
Mr. Chung Kong Fei, Stephen (Resigned on 26 October 2015)

Biographical details of the current members of the Board are set out on page 21 to page 22 of this annual report.

During the nine months ended 31 December 2015, the Board has at all times met the requirements of Rules 3.10 (1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Each of the executive Directors has entered into a service contract with the Company for a period of three years. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years. The Directors are subject to retirement by rotation under the Bye-laws of the Company (the "Bye-laws"). In accordance with the Bye-laws, at every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

Board Diversity

The Board has established a set of board diversity policy setting out the approach to achieve diversity on the Board with the aims of enhancing Board effectiveness and corporate governance as well as achieving the Group's business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company.

Roles and Duties

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

The Board has the following duties and responsibilities in respect of the corporate governance functions of the Company:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosures in the Corporate Governance Report in the annual report of the Company.

During the nine months ended 31 December 2015 and up to the date of this report, the Board has performed the corporate governance duties.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications. 8 Board meetings were convened by the Company during the nine months from 1 April 2015 to 31 December 2015.

The Company has set up the audit committee, remuneration committee and nomination committee (as detailed in the following section) in respect of the Board.

The attendance of individual Directors at the Board meetings, the meetings of the three Committees and general meetings held during the nine months ended 31 December 2015 is set out below:

	No. of meetings attended/held				
	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Chung Yuk Lun (ex-Chairman) (re-designated as Chairman on 1 May 2015 and resigned on 26 October 2015)	6/6	–	2/2	3/3	2/2
Dr. Kwong Kai Sing, Benny (ex-Managing Director) (appointed on 1 May 2015 and resigned on 26 October 2015)	4/4	–	–	–	2/2
Mr. Chow Chi Wah, Vincent (resigned on 26 October 2015)	6/6	–	–	–	2/2
Mr. Peng Jianjun (Chairman) (appointment effective on 26 October 2015)	2/2	–	–	–	–
Mr. Liu Yongzhuo (appointment effective on 26 October 2015)	2/2	–	–	–	–
Mr. Huang Xiangui (appointment effective on 26 October 2015)	2/2	–	–	–	–
Mr. Zhuo Yueqiang (appointment effective on 26 October 2015)	2/2	–	–	–	–
Independent Non-executive Directors					
Mr. Frank H. Miu (resigned on 26 October 2015)	6/6	1/1	2/2	3/3	1/2
Mr. Robert James Iaia II (resigned on 26 October 2015)	6/6	1/1	2/2	3/3	1/2
Mr. Chung Cho Sing (resigned on 26 October 2015)	6/6	1/1	2/2	–	2/2
Mr. Chung Kong Fei, Stephen (resigned on 26 October 2015)	5/6	–	–	–	2/2
Mr. Chau Shing Yim, David (appointment effective on 26 October 2015)	2/2	2/2	–	–	–
Mr. Nie Zhixin (appointment effective on 26 October 2015)	2/2	2/2	–	–	–
Mr. Chen Haiquan (appointment effective on 26 October 2015)	2/2	2/2	–	–	–

Code Provision A.6.7 stipulates that independent non-executive Directors ("INEDs") should attend general meetings of the Company. The Company considers that two out of the four INEDs being unable to attend the special general meeting of the Company held on 15 October 2015 due to overseas business matter and personal matter would not constitute a deviation from the Code as one-half of the INEDs were present at the meeting to ensure a balanced understanding of the views of Shareholders.

Directors' Training

All Directors have complied with the Code provision in relation to continuous professional development. This has involved various forms of activities including attending a presentation given by an external professional party in respect of the new regime on disclosure, reading materials relevant to corporate governance and other regulatory requirements.

The Company has an induction policy for any new member of the Board. On appointment, the new member will receive an induction which includes meetings with the members of the Board introducing the Group's business segments in which the Group operates, the roles and responsibilities as a Director and the requirements under the Listing Rules in respect of the Code provision in relation to continuous professional development.

The Company regularly updates Directors on the developments in respect of the Listing Rules and applicable regulatory requirements, to enhance their awareness of good corporate governance practices.

During the nine months ended 31 December 2015, all of the Directors have attended training sessions. The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

AUDIT COMMITTEE

An Audit Committee has been established in accordance with the requirements of the Listing Rules. The Audit Committee is principally responsible for reviewing and supervising the Group's financial reporting process, risk management and internal control system and providing advice and recommendations to the Board. The members of the Audit Committee include Mr. Chau Shing Yim, David (as the chairman of the Audit Committee), Mr. Nie Zhixin and Mr. Chen Haiquan all being independent non-executive Directors. The revised terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the Code.

During the nine months ended 31 December 2015, 3 meetings have been held by the Audit Committee, including 2 meetings to approve the audited financial statements for the year ended 31 March 2015 and to review interim financial statements (including accounting policies and practices adopted) of the Group for the six months ended 30 September 2015, and recommended such financial statements to the Board for approval. The record of attendance of members at such meetings is set out on page 26 of this report.

On 18 March 2016, the Audit Committee met to review the risk management and internal control systems of the Group, the financial statements and other reports for the nine months ended 31 December 2015 and discuss any significant audit matters with the Company's external auditor and the senior management before recommending them to the Board for consideration and approval.

Deloitte Touche Tohmatsu ("Deloitte") has tendered its resignation as the auditor of the Company on 22 December 2015. In order to unify the audit procedures of the Company with that of Evergrande, the Audit Committee proposed to the Board to engage PricewaterhouseCoopers ("PwC"), the auditor of Evergrande, as its new auditor to fill the vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company, and to nominate the appointment of PwC as the auditor of the Company at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chau Shing Yim, David (as the chairman of the Remuneration Committee) and Mr. Nie Zhixin and one executive Director, namely Mr. Peng Jianjun. The Remuneration Committee is principally responsible for reviewing and determining, with delegated responsibility the remuneration policy and packages of the individual executive Directors and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss on termination of their office or appointment. During the nine months ended 31 December 2015, no changes were made to the terms of reference of the Remuneration Committee. No director is involved in deciding his/her own remuneration.

During the nine months ended 31 December 2015, 2 meetings have been held by the Remuneration Committee. The Remuneration Committee has discussed and reviewed the remuneration packages for all directors and senior management. The record of attendance of members at such meetings is set out on page 26 of this report.

NOMINATION COMMITTEE

A Nomination Committee has been established in accordance with the requirements of the Code. The Nomination Committee comprises two independent non-executive Directors, namely Mr. Nie Zhixin and Mr. Chen Haiquan and one executive Director, namely Mr. Peng Jianjun (as the chairman of the Nomination Committee). The Nomination Committee is principally responsible for reviewing the structure, size and composition of the Board, and selecting and making recommendations to the Board on the appointment of Directors and senior management. The nomination committee's terms of reference are basically the same as those set forth in code provision A.5.2 of the Code. During the nine months ended 31 December 2015, no changes were made to the terms of reference of the Nomination Committee.

During the nine months ended 31 December 2015, 3 meetings have been held by the Nomination Committee to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The record of attendance of members at such meetings is set out on page 26 of this report.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the nine months ended 31 December 2015.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

The Directors are responsible for ensuring the maintenance of proper accounting records of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The reporting responsibilities of the external auditor, PricewaterhouseCoopers, are set out in the Independent Auditor's Report on pages 38 and 39.

INTERNAL CONTROLS

The Board recognises the overall responsibility for the risk management, the establishment, maintenance, and review of an internal control system of the Group that provides reasonable assurance of the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, the safeguarding of assets and the compliance with applicable laws and regulations. This system of internal control is designed to manage rather than eliminate all risks of failure where its goal is to provide reasonable but not absolute assurance regarding the achievement of organisational objectives.

The Board, through its Audit Committee and external auditor, assesses the effectiveness of the Group's risk management and internal control system which covers all material controls, including financial, operational and compliance control.

AUDITOR'S REMUNERATION

For the nine months ended 31 December 2015, the remuneration paid and payable to Deloitte for audit services and non-audit services regarding the review of interim financial statements and other assurance and non-assurance engagements rendered to the Group amounted to HK$nil and HK$1,345,000 respectively. The remuneration paid and payable to PricewaterhouseCoopers for audit services and non-audit services rendered to the Group amounted to HK$1,650,000 and HK$nil respectively.

AMENDMENTS TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the nine months ended 31 December 2015, the Company has not amended its Bye-laws.

SHAREHOLDERS' RIGHTS

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require a special general meeting ("SGM") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. Eligible Shareholders who wish to convene a SGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong, for the attention of the Company Secretary.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such SGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

RIGHT TO NOMINATE DIRECTORS FOR ELECTION AT GENERAL MEETINGS

Shareholder wishes to propose a person other than a Director of the Company for election as a Director, the Shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong, or the branch share registrar of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the Shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51 (2) of the Listing Rules, and be signed by the Shareholder concerned (not the person to be nominated). The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice will commence on the day after the dispatch of the notice of the general meeting held for the election of Directors and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Company's branch share registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the Company Secretary will ask the nomination committee of the Company and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

The right and procedures to convene a general meeting and to demand a poll on resolutions at general meetings by Shareholders are set out in the Company's amended and restated Bye-Laws headed "General Meetings", "Notice Of General Meetings", "Proceedings At General Meetings" and "Voting".

DISCLAIMERS

The contents of the section headed "Shareholders' Rights" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the Shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the Shareholders in reliance upon any contents of the section headed "Shareholders' Rights".

INVESTOR RELATIONSHIP

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors. The Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone: (852) 2287 9208/2287 9218/2287 9207
By post: Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong

DIRECTORS' REPORT

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the nine months ended 31 December 2015.

CHANGE OF COMPANY NAME

Pursuant to the requisite special resolution passed at the special general meeting of the Company held on 15 October 2015 and the certificate of incorporation on change of name and the certificate of secondary name issued by the Registrar of Companies in Bermuda on 26 October 2015, the change of the English name of the Company from "Mascotte Holdings Limited" to "HengTen Networks Group Limited" and the adoption of the new secondary name of the Company in Chinese of "恒騰網絡集團有限公司" became effective on 26 October 2015.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the Board of Directors passed on 22 December 2015, the financial year end date of the Company has been changed from 31 March to 31 December to align with the financial year end date of the ultimate holding company of the Company, Evergrande Real Estate Group Limited ("Evergrande"), and thereby facilitate the preparation of the consolidated financial statements of Evergrande. Accordingly, the current financial period covers a nine-month period from 1 April 2015 to 31 December 2015 and the comparative figures cover an entire year from 1 April 2014 to 31 March 2015, which may not be comparable with the amounts shown for the current period.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and principally engages in trading of investments. Its subsidiaries principally engage in the business of investment and trading of securities, provision of finance, property investment, manufacturing and sales of accessories for photographic products.

BUSINESS REVIEW

The Group's revenue for the nine months ended 31 December 2015 is derived primarily from manufacture and sales of accessories for photographic and electrical products. An analysis of the Group's performance for the nine months ended 31 December 2015 by operating segment is set out in note 5 to the consolidated financial statements.

A review of the Group's business, including performance of the Group's businesses, market overview, the important events affecting the Group that have occurred since 31 December 2015 and the likely future development and development plan in the Group's new and existing businesses, is set out in the Chairman's Statement and Management Discussion and Analysis sections of this annual report for details. Details about the Group's financial risk management are set out in note 3 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the nine months ended 31 December 2015 are set out in the consolidated statement of comprehensive income on pages 42 and 43.

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2015.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the nine months ended 31 December 2015 are set out in notes 16 and 17 to the consolidated financial statements respectively.

SHARE OPTIONS

Details of the Company's share option scheme and movements in share options during the nine months ended 31 December 2015 are set out in note 18 to the consolidated financial statements. For details of share options granted to individual Directors, please refer to note 39(a) to the consolidated financial statements.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

Details of changes in the Group's investment properties and property, plant and equipment during the nine months ended 31 December 2015 are set out in notes 8 and 6 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve was as follows:

	31 December 2015 HK$'000	31 March 2015 HK$'000
Contributed surplus	**72,201**	72,201
Accumulated losses	**(4,661,056)**	(4,972,748)
	(4,588,855)	(4,900,547)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the nine months ended 31 December 2015 and up to the date of this report were as follows:

Executive Directors:

Mr. Peng Jianjun	(Chairman) (appointment effective on 26 October 2015)
Mr. Liu Yongzhuo	(appointment effective on 26 October 2015)
Mr. Huang Xiangui	(appointment effective on 26 October 2015)
Mr. Zhuo Yueqiang	(appointment effective on 26 October 2015)
Mr. Chung Yuk Lun	(ex-Chairman) (re-designated as Chairman on 1 May 2015 and resigned on 26 October 2015)
Dr. Kwong Kai Sing, Benny	(ex-Managing Director) (appointed on 1 May 2015 and resigned on 26 October 2015)
Mr. Chow Chi Wah, Vincent	(resigned on 26 October 2015)

Independent Non-executive Directors:

Mr. Chau Shing Yim, David	(appointment effective on 26 October 2015)
Mr. Nie Zhixin	(appointment effective on 26 October 2015)
Mr. Chen Haiquan	(appointment effective on 26 October 2015)
Mr. Frank H. Miu	(resigned on 26 October 2015)
Mr. Robert James Iaia II	(resigned on 26 October 2015)
Mr. Hung Cho Sing	(resigned on 26 October 2015)
Mr. Chung Kong Fei, Stephen	(resigned on 26 October 2015)

Pursuant to the bye-law 87 of the Company's Bye-laws, Mr. Chau Shing Yim, David, Mr. Nie Zhixin and Mr. Chen Haiquan shall retire and, being eligible, offer themselves for re-election in the forthcoming annual general meeting.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Each of the executive Directors has entered into a service contract with the Company and each of the independent non-executive Director has entered into a letter of appointment with the Company, all for a term of three years and is subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. The remuneration (excluding any additional service compensation and discretionary bonus) of each of the executive Directors (except Mr. Zhuo Yueqiang) is RMB15,000 per month. Mr. Zhuo Yueqiang is not entitled to any remuneration under his service contract with the Company. The remuneration (excluding any additional service compensation and discretionary bonus) of each of the independent non-executive Directors is RMB300,000 per year. The respective remuneration of each Director was determined by the Board with reference to the prevailing market conditions and the prospective roles and responsibilities of such Director in the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly and indirectly, subsisted during or at the end of the nine months ended 31 December 2015.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, none of the Directors, chief executives nor their associates had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as required to be kept and recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 18 to the consolidated financial statements headed "Equity-settled Share-Based Payments", at no time during the nine months ended 31 December 2015 was the Company or any its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the nine months ended 31 December 2015.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2015, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Interest in the shares and underlying shares – long positions:

Name of shareholder	Number of ordinary shares held	Deemed interests in number of shares	Total	Capacity	Approximate percentage of issued share capital of the Company
Evergrande Real Estate Group Limited	40,417,570,910	4,706,459,934	45,124,030,844	Interest of a controlled corporation	61.32%
Solution Key Holdings Limited *(Note 1)*	40,417,570,910	4,706,459,934	45,124,030,844	Beneficial owner	61.32%
Tencent Holdings Limited	14,697,298,513	1,711,439,976	16,408,738,489	Interest of a controlled corporation	22.30%
Water Lily Investment Limited *(Note 2)*	14,697,298,513	1,711,439,976	16,408,738,489	Beneficial owner	22.30%

Note:

(1) Solution Key Holdings Limited is an indirect wholly-owned subsidiary of Evergrande Real Estate Group Limited.

(2) Water Lily Investment Limited is an indirect wholly-owned subsidiary of Tencent Holdings Limited.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any person who had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the nine months ended 31 December 2015.

MAJOR CUSTOMERS AND SUPPLIERS

For the nine months ended 31 December 2015, the percentages of the Group's turnover attributable to its largest customer and five largest customers were 17.9% and 48.7% respectively. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 69.0% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 44.8% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisting during the nine months ended 31 December 2015.

EMOLUMENT POLICY

The emolument policy of employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications, experience and competence.

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

CONNECTED TRANSACTION

Saved as disclosed in note 34 to the consolidated financial statements which is fully exempted from Chapter 14A of the Listing Rules, the Company was not aware of any other related party transactions which constitute a connected transaction of the Group, nor are there any connected transactions that need to be disclosed in this annual report under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the nine months ended 31 December 2015 and up to the date of this report, none of the Directors and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float throughout the nine months ended 31 December 2015.

CHARITABLE DONATIONS

The Group has not made any charitable donations during the nine months ended 31 December 2015 (year ended 31 March 2015: Nil).

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report, no material events occurred after the reporting period.

FIVE YEARS FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 125.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective constitutional documents. Such provisions were in force during the course of the nine months ended 31 December 2015 and remained in force as of the date of this report.

AUDITORS

Deloitte Touche Tohmastu ("DTT") resigned as auditor of the Company with effect from 22 December 2015, and PricewaterhouseCoopers ("PwC") was appointed as auditor of the Company with effect from 8 January 2016 to fill the casual vacancy occasioned by the resignation of DTT. Save as aforesaid, there was no change in auditor during the past three years. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint PwC as auditor of the Company.

Approved by the Board on 21 March 2016
For and on behalf of the Board
Peng Jianjun
Chairman

Hong Kong, 21 March 2016

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of HengTen Networks Group Limited
(Incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of HengTen Networks Group Limited (the "Company") and its subsidiaries set out on pages 40 to 124, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the nine months ended 31 December 2015 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2015 HK$'000	31 March 2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,804**	5,114
Land use rights	7	**736**	1,034
Investment properties	8	**19,992**	21,546
Available-for-sale financial assets	9	**765**	910
		25,297	28,604
Current assets			
Inventories	10	**2,979**	3,523
Trade receivables	11	**19,072**	17,003
Other receivables and prepayments	12	**4,802**	5,991
Financial assets at fair value through profit or loss	13	**50,020**	24,510
Cash and cash equivalents	15	**764,136**	45,843
		841,009	96,870
Total assets		**866,306**	125,474
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	**147,179**	312,689
Share premium	16	**5,193,669**	4,133,356
Other reserves	17	**20,329**	442,739
Accumulated losses		**(4,633,821)**	(4,921,496)
		727,356	(32,712)
Non-controlling interests	35(a)	**4,627**	5,028
Total equity/(deficit)		**731,983**	(27,684)
LIABILITIES			
Non-current liabilities			
Borrowings	19	**60,000**	60,000
Obligations under finance leases	20	**300**	430
Deferred tax liabilities	21	**4,266**	4,698
		64,566	65,128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2015 HK$'000	31 March 2015 HK$'000
Current liabilities			
Trade payables	22	**6,124**	8,610
Other payables and accruals	23	**54,310**	68,029
Current income tax liabilities		**9,113**	11,076
Obligations under finance leases	20	**210**	315
		69,757	88,030
Total liabilities		**134,323**	153,158
Total equity and liabilities		**866,306**	125,474

The financial statements on pages 40 to 124 were approved by the Board of Directors on 21 March 2016 and were signed on its behalf.

Director

Director

The notes on pages 47 to 124 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Nine months ended 31 December 2015 HK$'000	Year ended 31 March 2015 HK$'000
Continuing operations			
Revenue	5	**101,049**	100,099
Cost of sales	25	**(73,939)**	(65,876)
Gross profit		**27,110**	34,223
Selling and marketing costs	25	**(3,371)**	(5,532)
Administrative expenses	25	**(45,321)**	(77,875)
Net change in fair value of financial assets at fair value through profit or loss	5, 13	**(22,608)**	4,410
Other income	27	**1,093**	1,591
Other gains-net	28	**2,668**	223
Equity-settled share-based payments	18	**(184,808)**	(20,732)
Operating loss		**(225,237)**	(63,692)
Finance costs	29	**(2,874)**	(16,492)
Finance income	29	**66**	194
Finance costs-net	29	**(2,808)**	(16,298)
Loss before income tax		**(228,045)**	(79,990)
Income tax credit	30	**95**	10,687
Loss for the period/year from continuing operations		**(227,950)**	(69,303)
Discontinued operations			
Loss for the period/year from discontinued operations	36	**–**	(59,798)
Loss for the period/year		**(227,950)**	(129,101)
Loss attributable to:			
– owners of the Company		**(227,817)**	(128,431)
– non-controlling interests		**(133)**	(670)
		(227,950)	(129,101)
Loss attributable to owners of the Company arises from:			
– continuing operations		**(227,817)**	(68,633)
– discontinued operations		**–**	(59,798)
		(227,817)	(128,431)
Loss per share from continuing and discontinued operations attributable to owners of the Company for the period/year (expressed in HK cents per share)	31		
Basic and diluted loss per share			
– from continuing operations		**(0.29)**	(0.51)
– from discontinued operations		**–**	(0.45)
From loss for the period/year		**(0.29)**	(0.96)

	Notes	Nine months ended 31 December 2015 HK$'000	Year ended 31 March 2015 HK$'000
Loss for the period/year		**(227,950)**	(129,101)
Other comprehensive income	17(a)		
Items that may be reclassified to profit or loss			
Net loss on fair value changes of available for-sale financial assets		**(145)**	(73)
Exchange differences on translating foreign operations		**708**	–
Reclassification adjustment – transfer translation reserve to profit or loss upon disposal of subsidiaries	37	**–**	89,460
Other comprehensive income for the period/year, net of tax		**563**	89,387
Total comprehensive income for the period/year		**(227,387)**	(39,714)
Total comprehensive income attributable to:			
– owners of the Company		**(226,986)**	(39,044)
– non-controlling interests		**(401)**	(670)
		(227,387)	(39,714)
Total comprehensive income attributable to owners of the Company arises from:			
– continuing operations		**(226,986)**	(68,706)
– discontinued operations		**–**	29,662
		(226,986)	(39,044)

The notes on pages 47 to 124 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 16)	Share premium HK$'000 (Note 16)	Other reserves HK$'000 (Note 17)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000 (Note 35)	Total deficit HK$'000
Balance at 1 April 2014	153,461	2,744,812	1,575,298	(4,579,196)	(105,625)	5,698	(99,927)
Comprehensive income							
– Loss for the year	–	–	–	(128,431)	(128,431)	(670)	(129,101)
– Other comprehensive income	–	–	89,387	–	89,387	–	89,387
Total comprehensive income	–	–	89,387	(128,431)	(39,044)	(670)	(39,714)
Transactions with owners							
– Issue of new shares under placement *(Note 16 (a))*	8,470	67,761	–	–	76,231	–	76,231
– Transaction costs attributable to issue of new shares	–	(2,796)	–	–	(2,796)	–	(2,796)
– Changes of equity-settled share-based payments *(Note 18)*	2,000	44,307	(10,570)	11,795	47,532	–	47,532
– Conversion and revision of terms of Convertible Bonds	148,751	1,279,208	(1,210,319)	(225,664)	(8,024)	–	(8,024)
– Issue of new shares upon exercise of Bonus Warrants *(Note 17 (b))*	7	64	1	–	72	–	72
– Transaction costs attributable to issue of the Bonus Warrants *(Note 17(b))*	–	–	(1,058)	–	(1,058)	–	(1,058)
Total transactions with owners	159,228	1,388,544	(1,221,946)	(213,869)	111,957	–	111,957
Balance at 31 March 2015	312,689	4,133,356	442,739	(4,921,496)	(32,712)	5,028	(27,684)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 16)	Share premium HK$'000 (Note 16)	Other reserves HK$'000 (Note 17)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000 (Note 35)	Total (deficit)/ equity HK$'000
Balance at 1 April 2015	312,689	4,133,356	442,739	(4,921,496)	(32,712)	5,028	(27,684)
Comprehensive income							
– Loss for the period	–	–	–	(227,817)	(227,817)	(133)	(227,950)
– Other comprehensive income	–	–	831	–	831	(268)	563
Total comprehensive income	–	–	831	(227,817)	(226,986)	(401)	(227,387)
Transactions with owners							
– Conversion of Convertible Bonds	43,750	390,371	(423,289)	–	10,832	–	10,832
– Issue of new shares upon exercise of Bonus Warrants *(Note 17(b))*	11,194	119,048	256	–	130,498	–	130,498
– Transaction costs attributable to issue of the New Warrants *(Noted 17(c))*	–	–	(208)	–	(208)	–	(208)
– Reduction of par value per share from HK$0.01 to HK$0.001 *(Note 16(b))*	(330,684)	–	330,684	–	–	–	–
– Transfer to accumulated losses upon reduction of par value per share *(Note 16(b))*	–	–	(330,684)	330,684	–	–	–
– Issue of Subscription shares to Subscribers *(Note 16(b))*	110,230	562,171	–	–	672,401	–	672,401
– Transaction costs attributable to issue of shares upon Subscription	–	(11,277)	–	–	(11,277)	–	(11,277)
– Recognition of equity-settled share-based payments *(Note 18)*	–	–	184,808	–	184,808	–	184,808
– Transfer to accumulated losses upon cancellation of share options *(Note 18)*	–	–	(184,808)	184,808	–	–	–
Total transactions with owners	(165,510)	1,060,313	(423,241)	515,492	987,054	–	987,054
Balance at 31 December 2015	147,179	5,193,669	20,329	(4,633,821)	727,356	4,627	731,983

The notes on pages 47 to 124 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Nine months ended 31 December 2015** ***HK$'000***	Year ended 31 March 2015 *HK$'000*
Cash flows of operating activities			
Net cash used in operations	*32*	**(11,566)**	(32,099)
Interest paid		**(8,841)**	(73,365)
Income tax paid		**(2,226)**	(64)
Net cash used in operating activities		**(22,633)**	(105,528)
Cash flows of investing activities			
Purchase of property, plant and equipment		**(258)**	(564)
Proceeds from disposal of property, plant and equipment		**275**	199
Proceeds from disposal of land use rights		**38**	441
Purchase of financial assets at fair value through profit or loss	*13*	**(121,700)**	(30,000)
Proceeds from disposal of financial assets at fair value through profit or loss	*13*	**73,582**	25,000
Purchase of available-for-sale financial assets		**–**	(983)
Dividend received from available-for-sale financial assets		**53**	–
Interest received from unlisted Convertible Bonds		**303**	202
Net cash outflows from disposal of subsidiaries	*37*	**–**	(561)
Repayment from an independent third party		**–**	10,215
Net cash (used in)/generated from investing activities		**(47,707)**	3,949
Cash flows of financing activities			
Proceeds from issue of shares upon Subscription	*16(b)*	**672,401**	–
Transactions costs attributable to issue of shares upon Subscription	*16(b)*	**(11,277)**	–
Proceeds from exercise of Bonus Warrants	*17(b)*	**130,498**	72
Transaction costs attributable to issue of warrants	*17(b), (c)*	**(208)**	(1,058)
Repayment of obligations under finance leases		**(235)**	(250)
Proceeds from issue of shares under placement	*16(a)*	**–**	76,231
Transactions costs attributable to issue of shares under placement	*16(a)*	**–**	(2,796)
Proceeds from borrowings		**–**	48,300
Repayment of borrowings		**–**	(48,979)
Proceeds on exercise of share options		**–**	26,800
Proceeds on acquisition of non-controlling interest of a subsidiary in the year 2013		**–**	(10,000)
Net cash generated from financing activities		**791,179**	88,320
Net increase/(decrease) in cash and cash equivalents		**720,839**	(13,259)
Cash and cash equivalents at beginning of period/year		**45,843**	59,102
Exchange loss on cash and cash equivalents		**(2,546)**	–
Cash and cash equivalents at end of period/year		**764,136**	45,843

The notes on pages 47 to 124 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

HengTen Networks Group Limited (the "Company") was incorporated in the Bermuda with limited liability and is engaged in investment holding. The Company and its subsidiaries (the "Group") are principally engaged in investment and trading of securities, provision of finance, property investment and manufacture and sales of accessories for photographic products. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The ultimate holding company of the Company is Evergrande Real Estate Group Limited.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars ("HK$") thousands, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 21 March 2016.

Key events

On 15 June 2015, the Company, Evergrande Real Estate Group Limited ("Evergrande") and Mount Yandang Investment Limited ("Mount Yandang"), a wholly-owned subsidiary of Tencent Holdings Limited, entered into a subscription agreement (as supplemented by a supplemental agreement on 2 October 2015, the "Subscription Agreement"), pursuant to which Evergrande and Mount Yandang agreed to subscribe for 55% and 20% respectively of total issued share capital of HengTen Networks Group Limited at the price of HK$0.0061 per share. On 26 October 2015, the subscription was completed. On the same day, the Company changed its English name from "Mascotte Holdings Limited" to "HengTen Networks Group Limited" and changed its Chinese name from "馬斯葛集團有限公司" to "恒騰網絡集團有限公司". For details please refer to Note 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit and loss, and investment properties which are carried at fair value.

Pursuant to a resolution of the Board of Directors dated 22 December 2015, the financial year end date of the Company has been changed from 31 March to 31 December to align with the financial year end date of the ultimate holding company, Evergrande Real Estate Group Limited, and thereby facilitate the preparation of the consolidated financial statements of Evergrande Real Estate Group Limited. Accordingly, the current financial period covers a nine-month period from 1 April 2015 to 31 December 2015 and the comparative financial period from 1 April 2014 to 31 March 2015. The comparative figures for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes thereto are not directly comparable. Certain comparative figures have been reclassified to conform with the current period presentation.

In the preparation of the consolidated financial statements, the Directors of the Company have given due and careful consideration to the future liquidity of the Group by continuous monitoring forecast and actual cash flows, in light of the Group's total equity of approximately HK$731,983,000 as at 31 December 2015 and its incurred loss of approximately HK$227,817,000 for the nine months ended 31 December 2015, including equity-settled share-based payments of approximately HK$184,808,000. In the opinion of the Directors of the Company, the consolidated financial statements have been prepared on a going concern basis as the Group obtained cash of approximately HK$791,622,000 from subscription of new shares and exercise of bonus warrants during the period and sustainable financial support from the controlling shareholder. The Directors of the Company believe that the Group has sufficient funds to finance its current working capital requirements and financial obligations in the next twelve months from the end of the reporting period.

(a) *Amendments and interpretation to existing standards adopted by the Group*

The following new standards and amendments and interpretations to existing standards are mandatory for the first time for the financial period beginning on 1 April 2015.

HKAS 19 (Amendment)	Defined benefit plans: Employee contributions
Annual improvements 2012	2010-2012 cycle of the annual improvements project
Annual improvements 2013	2011-2013 cycle of the annual improvements project

The adoption of the above new standards, amendments and interpretations to existing standards do not have significant impact on the consolidated financial statements, other than certain disclosures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New and amendments to existing standards have been issued but are not effective for the financial period beginning on 1 April 2015 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Annual improvements 2014	Annual Improvements to HKFRS 2012-2014 cycle	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial period, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation

(a) Subsidiaries

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

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

(b) Disposal of subsidiaries

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

(c) Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the ''functional currency"). The consolidated financial statements are presented in HK$, which is the functional and presentation currency of the Company.

(b) *Transactions and balances*

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

Foreign exchange gain and losses that relate to borrowings denominated in foreign currencies are presented in profit or loss within "finance cost". All other foreign exchange gain and losses are presented in the consolidated statement of comprehensive income within "other gains-net".

(c) *Group entities*

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

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as other comprehensive income.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	5-10 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	5-10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains-net", in profit or loss.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Investment properties

Property and land use right that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Investment properties *(continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

2.7 Impairment of non-financial assets

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

2.8 Financial assets

(a) Classification

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

(a) *Classification* *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade receivables", "other receivables" and "cash and cash equivalents" in the balance sheet.

Available-for-sale financial assets

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

(b) *Recognition and measurement*

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'fair value changes on financial assets at fair value through profit or loss' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as "other gains-net". Dividends on available-for-sale equity instruments are recognised in the profit or loss as "other income" when the Group's right to receive payments is established.

(c) *Offsetting financial instruments*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of financial assets *(continued)*

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

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

(b) ***Assets classified as available for sale***

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

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

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

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

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

2.12 Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

The liability component of a convertible instrument is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Borrowings

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

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.17 Borrowing costs

General and specific 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. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.18 Current and deferred income tax

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

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

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

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

2.19 Employee benefits

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefits

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Share-based payments

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

(i) including any market performance conditions (for example, an entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

A cancellation during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) is accounted for as an acceleration of vesting, and therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminated sales with the group entities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, and type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group manufactures and sells accessories for photographic and electrical products in wholesale market. Revenue from sales of goods are recognised when the products have been delivered to the customers.

(b) Rental income

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.22 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.23 Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases

(a) The Group is the lessee

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

2.25 Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where applicable.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Foreign exchange risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain trade and other receivables, bank balances, trade and other payables of the Group are denominated in HK$, United States dollars ("US$"), Euro ("EUR") and Renminbi ("RMB"), currencies other than functional currency of respective group entities. The Group has not entered into forward exchange contract to hedge its exposure to foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(a) *Foreign exchange risk* (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are approximately as follows:

As at 31 December 2015	**HK$ against RMB** *HK$'000*	**EUR against HK$** *HK$'000*	**RMB against HK$** *HK$'000*	**Total** *HK$'000*
Monetary assets				
– Trade receivables and other receivables	–	682	12	694
– Cash and cash equivalents	447	167	6	620
	447	849	18	1,314
Monetary liabilities				
– Trade payables	(6)	–	(393)	(399)

As at 31 March 2015	HK$ against RMB *HK$'000*	EUR against HK$ *HK$'000*	RMB against HK$ *HK$'000*	Total *HK$'000*
Monetary assets				
– Trade receivables and other receivables	–	585	3	588
– Cash and cash equivalents	1,289	958	16	2,263
	1,289	1,543	19	2,851
Monetary liabilities				
– Trade payables	(3)	–	(209)	(212)

As at 31 December 2015, there are assets and liabilities of approximately HK$24,829,000 (31 March 2015: approximately HK$19,062,000) and approximately HK$1,154,000 (31 March 2015: approximately HK$1,176,000) denominated in US$, a foreign currency other than functional currency of respective group entities (HK$). Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to US$, management considers that there is no significant foreign exchange risk with respect to US$.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(a) Foreign exchange risk (continued)

As at 31 December 2015, if HK$ had strengthened/weakened by 5% against foreign currencies, with all other variables held constant, post-tax loss for the nine months ended 31 December 2015 and the net assets as at 31 December 2015 would increase/decrease by approximately HK$83,000 (for the year ended 31 March 2015: increase/decrease by approximately HK$151,000).

(b) Price risk

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets and certain financial assets at fair value through profit or loss held by the Group, which are traded in the market. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax loss for the nine months ended 31 December 2015 would decrease/increase by approximately HK$2,501,000 (for the year ended 31 March 2015: nil) and the net assets as at 31 December 2015 would decrease/increase by approximately HK$2,539,000 (31 March 2015: HK$46,000).

(c) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly convertible bonds, cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings and convertible bonds issued at fixed rates expose the Group to fair value interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(d) Credit risk

As at 31 December 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 arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has significant concentration of credit risk on trade receivables. At 31 December 2015, 60% (31 March 2015: 58%) of the total trade receivables was due from the Group's five largest customers which are sizable and reputable electronics corporations. The directors of the Company consider these counterparties with good credit worthiness based on their past repayment history. The directors closely monitor the subsequent settlement of the customers. The Group does not grant long credit period to the counterparties.

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, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts.

Substantially all the Group’s bank deposits are deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk.

(e) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(e) ***Liquidity risk*** *(continued)*

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2015					
Borrowings	**3,000**	**3,000**	**68,504**	**–**	**74,504**
Trade payables	**6,124**	**–**	**–**	**–**	**6,124**
Other payables	**34,272**	**–**	**–**	**–**	**34,272**
Obligations under finance leases	**230**	**113**	**209**	**–**	**552**
Total	**43,626**	**3,113**	**68,713**	**–**	**115,452**
At 31 March 2015					
Borrowings	3,000	3,000	8,962	60,375	75,337
Trade payables	8,610	–	–	–	8,610
Other payables	35,016	–	–	–	35,016
New Convertible Bonds (I)	17,500	–	–	–	17,500
Obligations under finance leases	345	172	294	–	811
Total	64,471	3,172	9,256	60,375	137,274

3.2 Capital risk management

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated statements of financial position. Total borrowings includes borrowings, obligations under finance leases and convertible bonds.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The gearing ratios as at 31 December 2015 and 31 March 2015 were as follows:

	31 December 2015 *HK$'000*	31 March 2015 *HK$'000*
Total borrowings	**60,510**	76,895
Total assets	**866,306**	125,474
Gearing ratio	**7%**	61%

The decrease of gearing ratio is due to the issue of subscription shares to subscribers which increased the total assets (Note 16).

3.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See Note 8 for disclosures of the investment properties that are measured at fair value.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015 and 31 March 2015.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
As at 31 December 2015				
Assets				
Financial assets at fair value through profit or loss *(Note 13)*	**50,020**	**–**	**–**	**50,020**
Available-for-sale financial assets *(Note 9)*	**–**	**765**	**–**	**765**
Total assets	**50,020**	**765**	**–**	**50,785**
As at 31 March 2015				
Assets				
Financial assets at fair value through profit or loss *(Note 13)*	–	–	24,510	24,510
Available-for-sale financial assets *(Note 9)*	–	910	–	910
Total assets	–	910	24,510	25,420

There were no transfers between levels 1, 2 and 3 during the period/year.

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(c) Financial instruments in level 3 *(continued)*

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the period/year ended 31 December 2015 and 31 March 2015.

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Unlisted Convertible Bonds denominated in HK$ (Note 13):		
As at 1 April	**24,510**	15,100
Addition	**–**	30,000
Changes of fair value recognised in profit or loss	**(4,510)**	4,410
Disposal	**(20,000)**	(25,000)
	–	24,510
Total (losses)/gains for the period/year included in profit or loss, under "net change in fair value of financial assets at fair value through profit or loss"	**(4,510)**	4,410
Changes in unrealised gains or losses for the period/year included in profit or loss at the end of the period/year	**–**	(5,490)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(c) *Financial instruments in level 3* (continued)

Information about fair value measurements using significant unobservable inputs (level 3)

Description	Fair value 31 December 2015 HK$'000	31 March 2015 HK$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of inputs of fair value
Unlisted Convertible Bonds denominated in HK$	–	24,510	Level 3	Discounted cash flow based on convertible bond agreement and discounted rate	Discount rate	25.03%	The higher the discount rate, the lower the fair value

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of inventories

The Group estimates the net realisable value of inventories. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Even if the Group has made stock provision for the expected impairment at its best estimate, there is a possibility that changes in market conditions will alter the result.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(continued)*

(b) Estimated impairment of trade receivables

The Group records impairment of receivables based on an assessment made by management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(c) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC and Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

5 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into three business segments: investments, property investment and manufacture and sales of accessories. For the nine months ended 31 December 2015, loan financing segment did not carry out any business.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Finance cost and income are not included in the result for each operating segment.

5 SEGMENT INFORMATION *(continued)*

The segment results and other segment items included in the consolidated statement of comprehensive income for the nine months ended 31 December 2015 are as follows:

	Investments *HK$'000*	Property investment *HK$'000*	Manufacture and sales of accessories *HK$'000*	Consolidated *HK$'000*
Revenue	–	–	101,049	101,049
Rental income *(Note 27)*	–	828	–	828
Dividend income from available-for-sale financial assets *(Note 27)*	53	–	–	53
Net change in fair value of financial assets at fair value through profit or loss	(22,608)	–	–	(22,608)
	(22,555)	828	101,049	79,322
Segment (loss)/profit	(23,639)	(94)	3,188	(20,545)
Depreciation	–	–	(887)	(887)
Amortisation	–	–	(247)	(247)
Unallocated corporate expenses				(203,759)
Unallocated other income				243
Unallocated finance costs				(2,850)
Loss before income tax				(228,045)

5 SEGMENT INFORMATION *(continued)*

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 March 2015 are as follows:

	Investments	Loan financing	Property investment	Manufacture and sales of accessories	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	–	–	–	100,099	100,099
Interest income on loan receivable	–	3	–	–	3
Rental income *(Note 27)*	–	–	1,122	–	1,122
Dividend income from available-for-sale financial assets *(Note 27)*	49	–	–	–	49
Net change in fair value of financial assets at fair value through profit or loss	4,410	–	–	–	4,410
	4,459	3	1,122	100,099	105,683
Segment profit/(loss)	4,725	3	(917)	(1,081)	2,730
Depreciation	–	–	–	(895)	(895)
Amortisation	–	–	–	(338)	(338)
Unallocated corporate expenses					(65,408)
Unallocated other income					243
Unallocated finance costs					(16,464)
Gain on the alteration of terms of Convertible Bonds					142
Loss before income tax					(79,990)

5 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2015 are as follows:

	Investments	Property investment	Manufacture and sales of accessories	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	50,785	19,992	28,194	98,971
Unallocated property, plant and equipment				81
Unallocated other receivables and prepayments				3,118
Cash and cash equivalents				764,136
Consolidated total assets				866,306
LIABILITIES				
Segment liabilities	–	–	33,190	33,190
Unallocated other payables and accrued charges				27,754
Unallocated borrowings				60,000
Current income tax liabilities				9,113
Deferred tax liabilities				4,266
Consolidated total liabilities				134,323

5 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 March 2015 are as follows:

	Investments *HK$'000*	Loan financing *HK$'000*	Property investment *HK$'000*	Manufacture and sales of accessories *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	25,477	–	21,546	28,349	75,372
Unallocated property, plant and equipment					117
Unallocated other receivables and prepayments					4,142
Cash and cash equivalents					45,843
Consolidated total assets					125,474
LIABILITIES					
Segment liabilities	–	–	–	35,860	35,860
Unallocated other payables and accrued charges					25,374
Unallocated borrowings					60,000
Current income tax liabilities					11,076
Convertible Bonds					16,150
Deferred tax liabilities					4,698
Consolidated total liabilities					153,158

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments, other than certain property, plant and equipment, certain other receivables and prepayments, and cash and cash equivalent; and
- all liabilities are allocated to reportable and operating segments, other than certain other payables and accruals, current income tax liabilities, convertible bonds, certain borrowings and deferred tax liabilities.

5 SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are located in Hong Kong and the PRC for the nine months ended 31 December 2015 (for the year ended 31 March 2015: Hong Kong and the PRC).

Information about the Group's revenue from external customers is presented based on the location at which the goods or services are delivered or provided.

The Group's total revenue from sales of goods by geographical location are detailed below:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Europe	**56,759**	48,938
United States	**14,970**	14,420
PRC	**13,560**	15,230
Japan	**8,001**	11,271
Hong Kong	**4,760**	6,477
Others	**2,999**	3,763
	101,049	100,099

The Group's non-current assets excluding available-for-sale financial assets by geographical location of the assets are detailed below:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
PRC	**23,009**	25,913
Hong Kong	**1,523**	1,781
	24,532	27,694

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 March 2014							
Cost	165,913	5,424	176,340	10,259	4,945	30,464	393,345
Accumulated depreciation	(164,414)	(3,711)	(176,017)	(8,668)	(4,281)	–	(357,091)
Impairment	–	–	–	–	–	(30,464)	(30,464)
Net book amount	1,499	1,713	323	1,591	664	–	5,790
Year ended 31 March 2015							
Opening net book amount	1,499	1,713	323	1,591	664	–	5,790
Additions	–	7	22	535	485	–	1,049
Disposals	–	–	–	(14)	–	–	(14)
Depreciation	(375)	(465)	(56)	(564)	(251)	–	(1,711)
Closing net book amount	1,124	1,255	289	1,548	898	–	5,114
At 31 March 2015							
Cost	7,703	2,908	7,490	4,244	4,622	–	26,967
Accumulated depreciation	(6,579)	(1,653)	(7,201)	(2,696)	(3,724)	–	(21,853)
Net book amount	1,124	1,255	289	1,548	898	–	5,114
Nine months ended 31 December 2015							
Opening net book amount	**1,124**	**1,255**	**289**	**1,548**	**898**	**–**	**5,114**
Additions	**–**	**–**	**41**	**217**	**–**	**–**	**258**
Currency translation differences	**(51)**	**(53)**	**(11)**	**(32)**	**(1)**	**–**	**(148)**
Disposals	**–**	**(86)**	**–**	**(9)**	**–**	**–**	**(95)**
Depreciation	**(276)**	**(332)**	**(117)**	**(428)**	**(172)**	**–**	**(1,325)**
Closing net book amount	**797**	**784**	**202**	**1,296**	**725**	**–**	**3,804**
At 31 December 2015							
Cost	**7,275**	**2,424**	**6,916**	**4,317**	**4,040**	**–**	**24,972**
Accumulated depreciation	**(6,478)**	**(1,640)**	**(6,714)**	**(3,021)**	**(3,315)**	**–**	**(21,168)**
Net book amount	**797**	**784**	**202**	**1,296**	**725**	**–**	**3,804**

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Cost of sales	**117**	56
Administrative expenses	**1,208**	1,655
	1,325	1,711

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Cost – capitalised finance leases	**1,144**	1,144
Accumulated depreciation	**(418)**	(246)
Currency translation differences	**(1)**	–
	725	898

The Group leases motor vehicles under non-cancellable finance lease agreements. The lease terms are between 2 and 5 years, and ownership of the assets lie within the Group.

7 LAND USE RIGHTS

	31 December 2015 *HK$'000*	31 March 2015 *HK$'000*
Opening net book amount	**1,034**	1,403
Amortisation	**(247)**	(338)
Currency translation differences	**(48)**	–
Disposals	**(3)**	(31)
Closing net book amount	**736**	1,034

Land use rights comprise cost of acquiring rights to use certain land, which are located in the PRC, for self-use buildings over fixed periods.

The leasehold land is amortised on a straight-line basis over the remaining term of the lease.

8 INVESTMENT PROPERTIES

	31 December 2015 *HK$'000*	31 March 2015 *HK$'000*
At the beginning of the period/year	**21,546**	21,924
Fair value losses *(Note 28)*	**(372)**	(378)
Currency translation differences	**(1,182)**	–
At the end of the period/year	**19,992**	21,546
Unrealised loss on properties revaluation included in profit or loss (included in "other gains-net") *(Note 28)*	**(372)**	(378)

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by Asset Appraisal Limited, an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at 31 December 2015, in line with the Group's annual reporting dates.

(b) Valuation techniques

Valuations were based on direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

There were no changes to the valuation techniques during the period/year.

8 INVESTMENT PROPERTIES *(continued)*

(c) Information about fair value measurements using significant unobservable inputs (level 3)

Description	Fair value 31 December 2015 *HK'000*	 31 March 2015 *HK'000*	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of inputs of fair value
Industrial and dormitory buildings	**19,992**	21,546	Level 3	Market comparison approach	Unit price per square meter	For the nine months ended 31 December 2015: HK$1,143 to HK$1,690 per square meter For the year ended 31 March 2015: HK$1,048 to HK$1,865 per square meter	The higher the market price, the higher the fair value

8 INVESTMENT PROPERTIES *(continued)*

(d) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Rental income *(Note 27)*	**828**	1,122
Direct operating expenses arising from investment properties that generate rental income	**(655)**	(859)

As at 31 December 2015, no investment properties (31 March 2015: nil) were pledged as collateral for the Group's other borrowings.

As of 31 December 2015, investment properties held by certain subsidiaries located in the PRC were with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (31 March 2015: same).

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	31 December 2015 *HK$'000*	31 March 2015 *HK$'000*
Not later than one year	**795**	1,122
Later than one year and not later than five years	**–**	561
	795	1,683

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2015 *HK$'000*	31 March 2015 *HK$'000*
Unit trusts at fair value	**765**	910

Unlisted unit trusts represent investment in funds in the United States. These funds principally invest in corporate bonds in the United States which are rated below the investment grade. These funds ranked level 2 of financial instruments and denominated in HK$.

10 INVENTORIES

	31 December 2015 *HK$'000*	31 March 2015 *HK$'000*
Raw materials	**546**	685
Work in progress	**388**	1,761
Finished goods	**2,045**	1,077
	2,979	3,523

The cost of inventories recognised as expenses and included in "cost of sales" amounted to HK$65,566,000 (for the year ended 31 March 2015: HK$59,474,000), which included inventories write-down of HK$4,000 (for the year ended 31 March 2015: HK$374,000).

As at 31 December 2015, a batch of finished goods with cost of HK$325,000 was considered as obsolete. A full provision of HK$325,000 was made as at 31 December 2015. The Group reversed HK$321,000 of a previous inventory write-down in March 2015. The amount reversed has been included in "cost of sales" in the profit or loss.

11 TRADE RECEIVABLES

		31 December 2015 HK$'000	31 March 2015 HK$'000
Trade receivables	(a)	**23,567**	21,839
Less: allowance for doubtful debts	(b)	**(4,495)**	(4,836)
Trade receivables – net		**19,072**	17,003

Trade receivables were denominated in the following currencies:

	31 December 2015 HK$'000	31 March 2015 HK$'000
– Denominated in US$	**15,366**	15,549
– Denominated in RMB	**7,542**	5,701
– Denominated in EUR	**659**	585
– Denominated in HK$	**–**	4
	23,567	21,839

(a) Trade receivables mainly arose from manufacture and sales of accessories business. The Group allows an average credit period ranging from 60 to 150 days to its trade customers. The following is an ageing analysis of trade receivables net of allowances for doubtful debts, based on the invoice date which approximates the revenue recognition date at the end of the reporting period:

	31 December 2015 HK$'000	31 March 2015 HK$'000
Within 60 days	**11,839**	13,959
61 days to 150 days	**7,148**	2,272
151 days to 365 days	**85**	772
	19,072	17,003

As at 31 December 2015, trade receivables of approximately HK$5,683,000 (31 March 2015: approximately HK$2,425,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

11 TRADE RECEIVABLES *(continued)*

(a) *(continued)*

	31 December 2015 HK$'000	31 March 2015 HK$'000
Within 60 days	**5,105**	1,646
61 days to 150 days	**578**	779
	5,683	2,425

As at 31 December 2015, trade receivables of approximately HK$4,495,000 (31 March 2015: approximately HK$4,836,000) were fully impaired. The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. The Group's policy on allowance for doubtful debts is based on the evaluation of collectability, age of accounts and on management's judgement including credit worthiness and past collection history of each customer.

(b) Movement in the allowance for doubtful debts:

	Nine months ended 31 December 2015 HK$'000	Year ended 31 March 2015 HK$'000
Balance at beginning of the period/year	**4,836**	5,489
Impairment losses recognised	**49**	108
Amounts written off as uncollectible	**(20)**	(613)
Amounts recovered during the period/year	**(315)**	(148)
Currency translation differences	**(55)**	–
Balance at end of the period/year	**4,495**	4,836

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above.

12 OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2015 HK$'000	31 March 2015 HK$'000
Amounts due from a related party *(a)*	**2,727**	2,738
Other receivables	**929**	1,910
Prepayments	**302**	540
Deposits	**844**	803
	4,802	5,991

(a) Amounts due from a related party were the amounts due from the director of a subsidiary, which were unsecured, interest-free and repayable on demand.

Other receivables are denominated in the following currencies:

	31 December 2015 HK$'000	31 March 2015 HK$'000
– Denominated in HK$	**3,446**	4,851
– Denominated in RMB	**1,231**	741
– Denominated in US$	**102**	399
– Denominated in EUR	**23**	–
	4,802	5,991

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2015 HK$'000	31 March 2015 HK$'000
Held-for-trading investments (a)	**50,020**	–
Unlisted convertible bonds (b)	**–**	24,510
	50,020	24,510

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Movements for the financial assets at fair value through profit or loss:

	Nine months ended 31 December 2015			Year ended 31 March 2015		
	Held-for-trading investments	**Unlisted convertible bonds**	**Total**	Held-for-trading investments	Unlisted convertible bonds	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Balance at beginning of the period/year	**–**	**24,510**	**24,510**	3	15,100	15,103
Additions	**121,700**	**–**	**121,700**	–	30,000	30,000
Changes in fair values recognised in profit or loss	**(18,098)**	**(4,510)**	**(22,608)**	–	4,410	4,410
Disposals	**(53,582)**	**(20,000)**	**(73,582)**	(3)	(25,000)	(25,003)
	50,020	**–**	**50,020**	–	24,510	24,510

The change in fair value of financial assets at financial assets at fair value through profit or loss included realised loss of approximately HK$7,990,000 (for the year ended 31 March 2015: gain of HK$9,900,000) and unrealised loss of approximately HK$14,618,000 (for the year ended 31 March 2015: loss of HK$5,490,000).

(a) As at 31 December 2015, held-for-trading investments represented the Group's equity investments in certain Hong Kong listed companies, which are quoted in the Stock Exchange.

(b) Unlisted convertible bonds designated at fair value through profit or loss acquired in year 2015 represents convertible bonds with principal amount of HK$30,000,000 issued on 18 January 2011 by Up Energy Development Group Limited, a company incorporated in the Bermuda and its shares listed on the Stock Exchange.

On 15 May 2015, the Group disposed of the convertible bonds at a consideration of HK$20,000,000 and recognised a disposal loss amounted to HK$4,510,000 in the profit or loss for the nine months ended 31 December 2015.

14 FINANCIAL INSTRUMENTS BY CATEGORY

	31 December 2015 HK$'000	31 March 2015 HK$'000
Assets:		
Loans and receivables		
– Trade receivables	19,072	17,003
– Other receivables excluding prepayments	4,500	5,451
– Cash and cash equivalents	764,136	45,843
	787,708	68,297
Financial assets at fair value through profit or loss	50,020	24,510
Available-for-sale financial assets	765	910
Total financial assets	838,493	93,717
Liabilities		
Other financial liabilities at amortised cost		
– Borrowings	60,000	60,000
– Trade payables	6,124	8,610
– Other payables excluding other taxes payable and accrued expenses	34,272	35,016
– Obligations under finance leases	510	745
– Convertible Bonds	–	16,150
Total financial liabilities	100,906	120,521

15 CASH AND CASH EQUIVALENTS

	31 December 2015 HK$'000	31 March 2015 HK$'000
Cash at bank and in hand:		
– Denominated in HK$	739,325	23,047
– Denominated in other currencies	24,811	22,796
	764,136	45,843

Cash at banks earns interest at floating daily bank deposit rates.

16 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Note	Number of ordinary shares	Share capital HK$'000	Share premium HK$'000
At 1 April 2014		15,346,189,507	153,461	2,744,812
Issue of new shares under placement	*(a)*	847,015,679	8,470	67,761
Transaction costs attributable to issue of new shares	*(a)*	–	–	(2,796)
Issue of new shares upon exercise of share options	*18(a)(i)*	200,000,000	2,000	44,307
Issue of new shares upon conversion of Convertible Bonds		14,874,999,999	148,751	1,279,208
Issue of new shares upon exercise of Bonus Warrants	*17(b)(ii)*	716,420	7	64
At 31 March 2015		31,268,921,605	312,689	4,133,356
At 1 April 2015		**31,268,921,605**	**312,689**	**4,133,356**
Issue of new shares upon conversion of Convertible Bonds		**4,375,000,000**	**43,750**	**390,371**
Issue of new shares upon exercise of Bonus Warrants before the Share Consolidation	*17(b)(ii)*	**1,099,324,677**	**10,993**	**98,939**
Issue of new shares upon exercise of Bonus Warrants after the Share Consolidation	*17(b)(ii)*	**102,821,650**	**201**	**20,109**
Reduction of par value per share from HK$0.01 to HK$0.001	*(b)(i)*	**–**	**(330,684)**	**–**
Issue of subscription shares to subscribers	*(b)(ii)*	**110,229,738,846**	**110,230**	**562,171**
Transaction costs attributable to issue of new shares	*(b)(ii)*	**–**	**–**	**(11,277)**
Share Consolidation	*(b)(iii)*	**(73,486,492,564)**	**–**	**–**
At 31 December 2015		**73,589,314,214**	**147,179**	**5,193,669**

(a) Placement in 2014

At 16 September 2014, 847,015,679 ordinary shares of HK$0.01 each were issued through placement to various places at a price of HK$0.09 per placing share, who and whose ultimate beneficial owners are independent and not connected to the Group with gross proceeds of approximately HK$76,231,000 and transaction costs of approximately HK$2,796,000 were recognised in equity.

16 SHARE CAPITAL AND SHARE PREMIUM *(continued)*

(b) Subscription in 2015

During the nine months ended 31 December 2015, the Company carried out, among others, (i) a capital reorganisation, (ii) issue of new shares and unlisted new warrants and (iii) a share consolidation.

(i) Capital Reorganisation

The capital reorganisation involved reduction of nominal value of each issued share from par value of HK$0.01 each to HK$0.001 each by cancellation of the paid-up capital of the Company to the extent of HK$0.009 on each issued share and subdivision of each of the authorised but unissued shares of HK$0.01 each into 10 shares of par value of HK$0.001 each (the "Capital Reorganisation"). The proposal for the Capital Reorganisation has obtained shareholders' approval at a special general meeting of the Company held on 15 October 2015 and became effective on 16 October 2015. The share capital cancelled amounted to HK$330,684,000 then reclassified into contributed surplus reserve.

Pursuant to the resolution of the special general meeting of the Company on 15 October 2015, contributed surplus reserve was transferred to set off accumulated losses.

(ii) Issue of new shares and unlisted New Warrants

The issue of new shares and unlisted new warrants related to the Subscription Agreement entered into between, among others, the Company, Evergrande and Mount Yandang, on 15 June 2015 (as supplemented on 2 October 2015). Evergrande, Mount Yandang and Tencent were independent of and not connected to the Group and/or the directors of the Company at the date of the Subscription Agreement. Pursuant to the Subscription Agreement, Evergrande and Mount Yandang agreed to subscribe for, and the Company agreed to allot and issue:

- new ordinary shares at a price of HK$0.0061 per share which represents 75.0% of the enlarged total issued share capital of the Company immediately after the issue of the new shares and,

- new warrants (the "New Warrants") at an aggregate nominal consideration of HK$2, subject to the terms of the Subscription Agreement. The initial exercise price of the New Warrants is HK$0.0061 per share, subject to adjustments. The subscription period of the New Warrants is five years from the date of issue.

As a result of the completion of the Capital Reorganisation and fulfilment of other conditions as set out in the Subscription Agreement, 80,835,141,820 new ordinary shares of HK$0.001 each and HK$57,418,811 New Warrants were issued to a wholly-owned subsidiary of Evergrande and 29,394,597,026 new ordinary shares of HK$0.001 each and HK$20,879,568 New Warrants were issued to a wholly-owned subsidiary of Tencent (collectively referred to as the "Subscriptions") on 26 October 2015. The gross proceeds received by the Company amounted to approximately HK$672,401,000 and transaction costs of approximately HK$11,277,000 were recognised in equity.

16 SHARE CAPITAL AND SHARE PREMIUM *(continued)*

(b) Subscription in 2015 *(continued)*

(iii) Share Consolidation

The share consolidation involved consolidation of every two issued and unissued shares of par value of HK$0.001 each into one consolidated share of par value of HK$0.002 each (the "Share Consolidation"). As a result of the completion of the Subscriptions and fulfilment of other conditions to the Share Consolidation, the Share Consolidation became effective on 27 October 2015.

As a result of the Share Consolidation, (i) the initial exercise price of each of the existing warrant was adjusted from HK$0.1 per share to HK$0.2 per consolidated share and the total number of shares to be issued upon full exercise of the existing warrants will be adjusted accordingly and (ii) the initial exercise price of the New Warrants was adjusted from HK$0.0061 per share to HK$0.0122 per consolidated share. Shares numbers issued adjusted from 146,972,985,128 shares to 73,486,492,564 consolidated shares due to the Share Consolidation.

17 OTHER RESERVES

	Note	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Investment revaluation reserve HK$'000	Contributed surplus reserve HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Reserve fund HK$'000	Enterprise expansion reserve HK$'000	Share option reserve HK$'000	Total HK$'000
Balance at 1 April 2014		–	1,633,608	–	–	13,901	(84,948)	1,084	1,083	10,570	1,575,298
Net loss on fair value changes of available for-sale financial assets	*(a)*	–	–	(73)	–	–	–	–	–	–	(73)
Reclassification adjustment –transfer translation reserve to profit or loss upon disposal of subsidiaries	*(a)*	–	–	–	–	–	89,460	–	–	–	89,460
Changes of share-based payments	*18*	–	–	–	–	–	–	–	–	(10,570)	(10,570)
Conversion and revision of terms of Convertible Bonds		–	(1,210,319)	–	–	–	–	–	–	–	(1,210,319)
Issue of new shares upon exercise of Bonus Warrants	*17(b)(ii)*	1	–	–	–	–	–	–	–	–	1
Transaction costs attributable to issue of Bonus Warrants	*17(b)*	(1,058)	–	–	–	–	–	–	–	–	(1,058)
Balance at 31 March 2015		(1,057)	423,289	(73)	–	13,901	4,512	1,084	1,083	–	442,739
Balance at 1 April 2015		**(1,057)**	**423,289**	**(73)**	**–**	**13,901**	**4,512**	**1,084**	**1,083**	**–**	**442,739**
Net loss on fair value changes of available for-sale financial assets	*(a)*	**–**	**–**	**(145)**	**–**	**–**	**–**	**–**	**–**	**–**	**(145)**
Exchange differences on translating foreign operations	*(a)*	**–**	**–**	**–**	**–**	**–**	**976**	**–**	**–**	**–**	**976**
Conversion and revision of terms of Convertible Bonds		**–**	**(423,289)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(423,289)**
Issue of new shares upon exercise of Bonus Warrants	*17(b)(ii)*	**256**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**256**
Transaction costs attributable to issue of New Warrants	*17(c)*	**(208)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(208)**
Reduction of par value per share from HK$0.01 to HK$0.001	*16(b)(i)*	**–**	**–**	**–**	**330,684**	**–**	**–**	**–**	**–**	**–**	**330,684**
Transfer to accumulated losses upon reduction of par value	*16(b)(i)*	**–**	**–**	**–**	**(330,684)**	**–**	**–**	**–**	**–**	**–**	**(330,684)**
Recognition of equity-settled share-based payments	*18*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**184,808**	**184,808**
Transfer to accumulated losses upon cancellation of share options	*18*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(184,808)**	**(184,808)**
Balance at 31 December 2015		**(1,009)**	**–**	**(218)**	**–**	**13,901**	**5,488**	**1,084**	**1,083**	**–**	**20,329**

17 OTHER RESERVES *(continued)*

(a) Other comprehensive income

	Nine months ended 31 December 2015		
	Other reserves attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total other comprehensive income *HK$'000*
Items that may be reclassified subsequently to profit or loss:			
Net loss on fair value changes of available for-sale financial assets	**(145)**	**–**	**(145)**
Tax charge	**–**	**–**	**–**
	(145)	**–**	**(145)**
Exchange differences on translating foreign operations	**976**	**(268)**	**708**
Tax charge	**–**	**–**	**–**
	976	**(268)**	**708**
Total other comprehensive income – net of tax	**831**	**(268)**	**563**
Total tax charge – deferred income tax			**–**

17 OTHER RESERVES *(continued)*

(a) Other comprehensive income *(continued)*

	Year ended 31 March 2015		
	Other reserves attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total other comprehensive income *HK$'000*
Items that may be reclassified subsequently to profit or loss:			
Net loss on fair value changes of available for-sale financial assets	(73)	–	(73)
Tax charge	–	–	–
	(73)	–	(73)
Exchange differences on translating foreign operations	–	–	–
Tax charge	–	–	–
	–	–	–
Reclassification adjustment – transfer translation reserve to profit or loss upon disposal of subsidiaries *(Note 37)*	89,460	–	89,460
Tax charge	–	–	–
	89,460	–	89,460
Total other comprehensive income – net of tax	89,387	–	89,387
Total tax credited – deferred income tax			–

17 OTHER RESERVES *(continued)*

(b) Bonus Warrants

	Number of Bonus Warrants	Warrants reserves *HK$'000*
At 1 April 2014	–	–
Issue of Bonus Warrants	5,378,641,037	–
Transaction costs attributable to issue of Bonus Warrants (i)	–	(1,058)
Issue of new shares upon exercise of Bonus Warrants (ii)	(716,420)	1
At 31 March 2015	5,377,924,617	(1,057)
At 1 April 2015	**5,377,924,617**	**(1,057)**
Issue of new shares upon exercise of Bonus Warrants before the Share Consolidation (ii)	**(1,099,324,677)**	**216**
Effect of Share Consolidation (iii)	**(2,139,299,970)**	**–**
Issue of new shares upon exercise of Bonus Warrants after the Share Consolidation (ii)	**(102,821,650)**	**40**
At 31 December 2015	**2,036,478,320**	**(801)**

(i) On December 2014, the directors of the Company proposed the issue of Bonus Warrants (the "Bonus Warrants") at nil consideration to existing shareholders of the Company on the basis of one Bonus Warrant for every five existing ordinary shares of the Company held on 11 February 2015. 5,378,641,037 Bonus Warrants were issued on 24 February 2015. Transaction costs of approximately HK$1,058,000 were recognised in equity as "warrants reserves".

Each Bonus Warrant entitles the holder to subscribe in cash for one new ordinary share of the Company at an initial exercise price of HK$0.1 per share, subject to antidilutive adjustments. It is exercisable at any time during a period of 24 months commencing from 24 February 2015 to 23 February 2017. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(ii) During the nine months ended 31 December 2015, 1,202,146,327 Bonus Warrants had been exercised by the holders thereof and 1,202,146,327 (for the year ended 31 March 2015: 716,420) ordinary shares were issued and allotted by the Company to these holders. The Group received gross proceeds of approximately HK$130,498,000 (for the year ended 31 March 2015: HK$72,000) from such exercise of the Bonus Warrants, among which HK$11,194,000 recognised in share capital, HK$119,048,000 recognised in share premium and HK$256,000 recognised in warrants reserves (for the year ended 31 March 2015, HK$7,000 recognised in share capital, HK$64,000 recognised in share premium and HK$1 recognised in warrants reserves).

17 OTHER RESERVES *(continued)*

(b) Bonus Warrants *(continued)*

(iii) On 27 October 2015, as a result of the Share Consolidation, the initial exercise price of each of the existing warrant was adjusted from HK$0.1 per share to HK$0.2 per consolidated share and the total number of shares to be issued upon full exercise of the existing warrants will be adjusted accordingly (Note 16(b)(iii)).

(c) New Warrants

	Number of New Warrants	Warrants reserves *HK$'000*
At 1 April 2015	**–**	**–**
Issue of New Warrants *(Note 16(b)(ii))*	**12,835,799,820**	**–**
Transaction costs attributable to issue of New Warrants	**–**	**(208)**
Effect of Share Consolidation *(Note 16(b)(iii))*	**(6,417,899,910)**	**–**
At 31 December 2015	**6,417,899,910**	**(208)**

As at 31 December 2015, each New Warrant entitles the holder to subscribe in cash for one new ordinary share of the Company at an initial exercise price of HK$0.0061 per share, subject to antidilutive adjustments. The initial exercise price of the New Warrants was adjusted from HK$0.0061 per share to HK$0.0122 per consolidated share as a result of the share consideration on 27 October 2015. It is exercisable at any time during a period of five years commencing from 26 October 2015 to 25 October 2020. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. Transaction costs of approximately HK$208,000 were recognised in equity as "warrants reserves".

18 EQUITY-SETTLED SHARE-BASED PAYMENTS

Movements of share options reserve are as follows:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
As at 1 April	**–**	10,570
Recognition of equity-settled share-based payment ((a)(i), (b))	**184,808**	20,732
Issue of shares upon exercise of share options ((a)(ii))	**–**	(19,507)
Transferred to accumulated losses upon cancellation of share options ((a)(iii), (b))	**(184,808)**	(11,739)
Transferred to accumulated losses upon lapse of share options	**–**	(56)
At the end of the period/year	**–**	–

18 EQUITY-SETTLED SHARE-BASED PAYMENTS *(continued)*

(a) 2013 Option Scheme

The Company's 2013 share option scheme (the "2013 Option Scheme"), was adopted pursuant to a resolution passed on 31 October 2013, for the primary purpose of providing incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity and which will expire 10 years after the date of adoption. Under the 2013 Option Scheme, the board of directors of the Company may, at its discretion, grant options to supplier, customer, person or entity that provides research, development or technological support or other services to the Group or any invested entity, shareholder or any member of the Group or any invested entity, holder of any securities issued by any member of the Group or invested entity and employee, including executive and non-executive directors of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company at a price of (i) the closing price of the shares of the Stock Exchange on the date of grant of the option, which must be a trading day or (ii) the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or (iii) the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which share options may be granted (together with options exercised and options then outstanding) under the 2013 Option Scheme shall not, when aggregated with any shares subject to any other schemes, exceed 30% of the total number of the issued share of the Company from time to time. The shares which may be issued upon exercise of all share options to be granted under the 2013 Option Scheme and any other share option schemes of the Company shall not exceed 10% of the shares in issue on the day of approval by shareholders of the Company.

The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period cannot exceed 1% of the total number of the issued share of the Company. Upon acceptance of option, the grantee shall pay HK$1 to the Company by way of consideration of the grant. An option may be exercised at any time during the validity period of the options.

There is no vesting period or market and non-market performance condition of 2013 Option Scheme. The expiry dates was 10 years after granted.

The fair value was calculated using the Binomial Model of the options granted during the period/year. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate.

Key assumptions of Binomial Model used:

	Options granted on 22 April 2015	Options granted on 29 December 2014
Closing share price at the grant date	**HK$0.275**	HK$0.134
Exercise price	**HK$0.275**	HK$0.134
Option life	**10 years**	7.5 years
Expected volatility	**81.45%**	77.21%
Expected dividend yield	**Nil**	Nil
Risk-free interest rate	**1.43%**	1.78%

18 EQUITY-SETTLED SHARE-BASED PAYMENT *(continued)*

(a) 2013 Option Scheme *(continued)*

Movements in the number of share options outstanding are as follows:

	Nine months ended 31 December 2015	Year ended 31 March 2015
Balance at beginning of the period/year	**–**	–
Granted (i)	**2,223,507,839**	200,000,000
Exercised (ii)	**–**	(200,000,000)
Cancelled (iii)	**(2,223,507,839)**	–
Balance at end of the period/year	**–**	–

(i) On 22 April 2015, the Company granted share options to two directors and several eligible employees under the 2013 Option Scheme, under which the option holders are entitled to acquire aggregate of 2,223,507,839 shares of the Company at the exercise price of HK$0.275 per share upon the date of grant.

On 29 December 2014, the Company granted share options to several eligible employees under the 2013 Option Scheme, under which the option holders are entitled to acquire aggregate of 200,000,000 shares of the Company at the exercise price of HK$0.134 per share upon the date of grant.

Approximately HK$184,808,000 were recognised for employee services received in respect of the 2013 Option Scheme for the nine months ended 31 December 2015 (for the year ended 31 March 2015: approximately HK$19,507,000).

(ii) All the options granted on 29 December 2014 were exercised within the year ended 31 March 2015 with consideration recognised in share capital and share premium. The balance of employee services reserves amounted to approximately HK$19,507,000 were transferred into share premium.

(iii) On 22 May 2015, all Grantees agreed with the Company to cancel all share options granted to them under 2013 Option Scheme without getting any compensation in return and the balance of share option reserves recognised under 2013 Option Scheme amounted to approximately HK$184,808,000 transferred to accumulated losses accordingly.

18 EQUITY-SETTLED SHARE-BASED PAYMENT *(continued)*

(b) Option Deed

The Company entered into option deeds on 29 August 2011 (the "Option Deed") with each of the grantees pursuant to which the Company conditionally agreed to grant share options to the grantees for up to 730,000,000 new shares in aggregate, for the purpose to incentivise and reward certain directors and employees of Sun Mass and a consultant of the Group. The Option Deed was approved in a special general meeting held on 4 January 2012.

The exercise price is HK$0.40 per share option. The consideration payable by each of the grantees for the grant of share option under the Option Deed is HK$1.

The estimated fair value of the options granted under Option Deed was approximately HK$51,941,000. The Group recognised expenses of approximately HK$1,225,000 for the year ended 31 March 2015 in relation to the option deed granted by the Group.

On 16 June 2014, all grantees agreed with the Company to cancel all share options granted to them under Option Deeds. The Group accounted for the cancellation as an acceleration of vesting, and recognised immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount recognised in profit or loss due to the cancellation was immaterial. The balance of share option reserves recognised under Option Deed amounted to approximately HK$11,739,000 transferred to accumulated losses accordingly.

19 BORROWINGS

	31 December 2015 HK$'000	31 March 2015 HK$'000
Borrowings included in non-current liabilities:		
Other borrowings – unsecured	**60,000**	60,000

The unsecured other borrowings denominated in HK$ granted from independent third parties carry fixed interest rate at 5% per annum.

The maturity and the exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the period/year is as follows:

	31 December 2015 HK$'000	31 March 2015 HK$'000
2 – 5 years	**60,000**	5,000
Over 5 years	**–**	55,000
Total	**60,000**	60,000

The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2015		31 March 2015	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Other borrowings	**60,000**	**60,000**	60,000	60,000

The effective interest rates were 5% as at 31 December 2015 (5% as at 31 March 2015).

20 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2015 and 31 March 2015, the Group leased motor vehicles under finance leases with lease terms ranging from 2 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.8% to 2.75% per annum. These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2015	31 March 2015	**31 December 2015**	31 March 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
– Within one year	**230**	345	**210**	315
– 1 – 2 years	**113**	172	**101**	154
– 2 – 5 years	**209**	294	**199**	276
	552	811	**510**	745
Less: Future finance charges	**(42)**	(66)	**–**	–
Present value of lease obligations	**510**	745	**510**	745
Less: Amount due for settlement within one year			**(210)**	(315)
Amount due for settlement after one year			**300**	430

The Group's obligations under the finance leases are secured by the lessor's charge over the leased assets.

21 DEFERRED TAX LIABILITIES

	31 December 2015	31 March 2015
	HK$'000	*HK$'000*
Deferred tax liabilities to be settled over 12 months	**4,266**	4,698

The gross movements on the deferred taxation are as follows:

	31 December 2015	31 March 2015
	HK$'000	*HK$'000*
Beginning of the period/year	**4,698**	7,159
Tax (credited)/charged to convertible bonds equity reserve	**(158)**	1,033
Recognised in income tax credit	**(23)**	(3,494)
Currency translation differences	**(251)**	–
End of the period/year	**4,266**	4,698

21 DEFERRED TAX LIABILITIES *(continued)*

The movement in deferred tax liabilities during the period/year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Revaluation of investment properties *HK$'000*	**Convertible Bonds** *HK$'000*	**Total** *HK$'000*
As at 31 March 2014	4,691	2,468	7,159
Recognised in income tax credit	(208)	(3,286)	(3,494)
Release on conversion of Convertible Bonds (I) and Convertible Bonds(II)	–	(614)	(614)
Release upon extinguishment of Convertible Bonds (II)	–	(61)	(61)
Recognition of equity components of New Convertible Bonds (I) and New Convertible Bonds (II)	–	2,191	2,191
Release on conversion of New Convertible Bonds (I) and New Convertible Bonds (II)	–	(483)	(483)
Currency translation differences	–	–	–
As at 31 March 2015	4,483	215	4,698
As at 1 April 2015	**4,483**	**215**	**4,698**
Recognised in income tax credit	**34**	**(57)**	**(23)**
Release on conversion of New Convertible Bonds (I)	**–**	**(158)**	**(158)**
Currency translation differences	**(251)**	**–**	**(251)**
As at 31 December 2015	**4,266**	**–**	**4,266**

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$1,084,133,000 (31 March 2015: HK$712,706,000) in respect of tax losses amounting to HK$4,339,071,000 (31 March 2015: HK$4,310,025,000), in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. Included in tax loss of approximately HK$7,465,000(for the year ended 31 March 2015: approximately HK$18,261,000) arising from the PRC subsidiaries will expire in various dates up to 2020 (31 March 2015: 2020). Other tax losses may be carried forward indefinitely.

22 TRADE PAYABLES

	31 December 2015 *HK$'000*	31 March 2015 *HK$'000*
Trade payables	**6,124**	8,610

22 TRADE PAYABLES *(continued)*

Trade payables were denominated in the following currencies:

	31 December 2015 HK$'000	31 March 2015 HK$'000
– Denominated in RMB	**3,275**	3,926
– Denominated in HK$	**2,213**	4,221
– Denominated in US$	**636**	433
– Denominated in EUR	**–**	30
	6,124	8,610

The ageing analysis of trade payables of the Group based on invoice date were as follows:

	31 December 2015 HK$'000	31 March 2015 HK$'000
Within 60 days	**6,048**	8,563
61 days to 150 days	**23**	–
Over 151 days	**53**	47
	6,124	8,610

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

23 OTHER PAYABLES AND ACCRUALS

	31 December 2015 HK$'000	31 March 2015 HK$'000
Other payables	**34,272**	35,016
Accrued expenses	**7,355**	3,760
Other taxes payable	**12,683**	13,103
Convertible bonds liability component *(Note 24)*	**–**	16,150
	54,310	68,029

Other payables were denominated in the following currencies:

	31 December 2015 HK$'000	31 March 2015 HK$'000
– Denominated in HK$	**32,702**	43,326
– Denominated in RMB	**21,090**	23,850
– Denominated in US$	**518**	853
	54,310	68,029

24 CONVERTIBLE BONDS

On 14 July 2011, the Company issued 2,900,000,000 convertible bonds ("Convertible Bonds (I)") due on 14 July 2014, with coupon rate of 5% per annum at an initial conversion price of HK$0.5 each (subject to antidilutive adjustments) for a total proceed of HK$1,450,000,000. On 3 December 2012, the Company and all Convertible Bonds (I) holders entered into a deed of amendment and on 18 January 2013 the alteration of terms was approved by shareholders at the Company's special general meeting.

On 16 June 2014, the Company and all Convertible Bonds (I) holders entered into a deed of amendment pursuant to which the maturity date has been changed from 14 July 2014 to 31 December 2015. The Convertible Bonds (I) with revised terms are hereinafter referred to as "New Convertible Bonds (I)". During the nine months ended 31 December 2015, all outstanding New Convertible Bonds (I) was converted to ordinary shares and the balance was nil as at 31 December 2015.

On 4 January 2012, the Company issued HK$1,750,000,000 bonds ("Consideration Bonds") due on 3 January 2014. At the maturity date, the Company may elect at its discretion to extend the term for another 5 years. The Consideration Bonds bear interest at 2.5% per annum for the first 2 years and 12.5% per annum afterwards for the extension period of five years. The Company and the bondholders entered into a deed of amendment which was approved by shareholders of the Company on 13 December 2013, pursuant to which the terms and conditions of Consideration Bonds were amended and hereinafter referred to convertible bonds ("Convertible Bonds (II)").

On 16 June 2014, the Company and all Convertible Bonds (II) holders entered into a deed of amendment pursuant to which the maturity date has been changed to 31 December 2015. The Convertible Bonds (II) with revised terms is hereinafter referred to as "New Convertible Bonds (II)". During the year ended 31 March 2015, all outstanding New Convertible Bonds (II) was converted to ordinary shares and the balance was nil as at 31 March 2015.

The movements of the liability components of convertible bonds during the period/year are set out below:

	Convertible Bonds (I) *HK$'000*	**Convertible Bonds (II)** *HK$'000*	**Total** *HK$'000*
At 1 April 2014	11,570	54,509	66,079
Effective interest expense	1,190	3,075	4,265
Interest paid	(20,152)	(27,978)	(48,130)
Converted into new ordinary shares	7,392	(24,585)	(17,193)
Extinguishment of the liability component of convertible bonds (a)	–	(5,021)	(5,021)
At 31 March 2015	–	–	–

24 CONVERTIBLE BONDS *(continued)*

	New Convertible Bonds (I) *HK$'000*	New Convertible Bonds (II) *HK$'000*	Total *HK$'000*
Recognition of the liability component upon alteration of terms on 23 July 2014	40,311	8,722	49,033
Effective interest expense	7,768	1,045	8,813
Interest paid	(18,459)	(3,267)	(21,726)
Converted into new ordinary shares	(13,470)	(6,500)	(19,970)
At 31 March 2015	16,150	–	16,150
At 1 April 2015	**16,150**	**–**	**16,150**
Effective interest expense	**372**	**–**	**372**
Interest paid	**(5,849)**	**–**	**(5,849)**
Converted into new ordinary shares	**(10,673)**	**–**	**(10,673)**
At 31 December 2015	**–**	**–**	**–**

25 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs, and administrative expenses are analysed as follows:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Cost of inventories sold	**65,566**	59,474
Change in finished goods and work in progress	**405**	1,084
Staff costs (excluding equity-settled share-based payments *(Note 18)*) *(Note 26)*	**31,409**	41,329
Legal and professional fees	**2,517**	77
Depreciation *(Note 6)*	**1,325**	1,711
Auditors' remuneration		
– Audit services *(a)*	**1,728**	1,709
– Non-audit services	**1,345**	–
Amorisation of land use rights	**247**	338

(a) The remuneration paid and payable to the auditor of the Company amounted to HK$1,650,000. Others were paid to other auditors' for audit services rendered to the subsidiaries of the Company.

26 STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Wages and salaries	**29,159**	39,309
Pension costs – statutory pension (b)	**1,109**	1,343
Staff welfare	**878**	350
Medical benefits	**263**	327
	31,409	41,329
Equity-settled share-based payments *(Note 18)*	**184,808**	20,361
	216,217	61,690

(a) Five highest paid individuals

During the nine months ended 31 December 2015, the five highest paid individuals include three directors (for the year ended 31 March 2015: two). The emoluments of the remaining two (for the year ended 31 March 2015: three) individual employees were as follows:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Salaries and other benefits	**5,440**	8,110
Retirement scheme contributions	**14**	18
	5,454	8,128

26 STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS *(continued)*

(a) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	No. of employees	
	Nine months ended 31 December 2015	Year ended 31 March 2015
HK$nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1

(b) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	Nine months ended 31 December 2015 ***HK$'000***	Year ended 31 March 2015 *HK$'000*
Gross scheme contributions	**1,109**	1,343

27 OTHER INCOME

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Rental income	**828**	1,122
Interest income from unlisted convertible bonds	**177**	352
Dividend income from available-for-sale financial assets	**53**	49
Sundry income	**35**	68
	1,093	1,591

28 OTHER GAINS-NET

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Write-off of payables	**2,484**	–
Reversal of doubtful debts on trade receivables, net	**266**	40
Gains on disposal of property, plant and equipment	**180**	185
Gains on disposal of land use rights	**35**	410
Foreign exchange gains/(losses)	**75**	(176)
Fair value losses on investment properties	**(372)**	(378)
Gains on the alteration of terms of convertible bonds	**–**	142
	2,668	223

29 FINANCE COSTS-NET

	Nine months ended 31 December 2015 HK$'000	Year ended 31 March 2015 HK$'000
Finance costs:		
– Interests expenses on other borrowings	**2,478**	3,386
– Interests expenses on finance lease liabilities	**24**	28
– Interests expenses on convertible bonds	**372**	13,078
	2,874	16,492
Finance income:		
– Interest income on short-term bank deposits	**(66)**	(194)
Finance costs-net	**2,808**	16,298

30 INCOME TAX CREDIT

	Nine months ended 31 December 2015 HK$'000	Year ended 31 March 2015 HK$'000
Current income tax		
– provision for the period/year	**(617)**	(834)
– over-provision in respect of prior years	**689**	8,027
	72	7,193
Deferred income tax	**23**	3,494
	95	10,687

30 INCOME TAX CREDIT *(continued)*

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Loss before income tax	**(228,045)**	(79,990)
Calculated at corporate income tax rate of 16.5%	**(37,627)**	(13,198)
Income not subject to tax	**(9)**	(85)
Expenses not deductible for tax purposes	**31,861**	3,882
Tax losses for which no deferred income tax asset was recognised	**6,574**	6,172
Over-provision in respect of prior years	**(689)**	(8,027)
Utilisation of tax losses previously not recognised	**(382)**	–
Effect of different tax rates for subsidiaries operating in other jurisdictions	**177**	260
Tax effect of non-allowable losses of offshore operation	**–**	309
	(95)	(10,687)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the nine months ended 31 December 2015 (for the year ended 31 March 2015: nil).

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% (for the year ended 31 March 2015: 25%) on the estimated assessable profits for the period/year, based on the existing legislation, interpretations and practices in respect thereof.

31 LOSS PER SHARE

From continuing operations

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period/year.

	Nine months ended 31 December 2015 ***HK$'000***	Year ended 31 March 2015 *HK$'000* (restated)
Loss attributable to owners of the Company (HK$'000)	**(227,817)**	(68,633)
Loss from discontinued operations attributable to owners of the Company (HK$'000)	**–**	(59,798)
Total loss attributable to owners of the Company (HK$'000)	**(227,817)**	(128,431)
Weighted average numbers of ordinary shares in issue (thousand shares)	**79,606,128**	13,395,671
Basic and diluted loss per share (HK cents per share)		
– from continuing operations	**(0.29)**	(0.51)
– from discontinued operations	**–**	(0.45)
From loss for the period/year	**(0.29)**	(0.96)

The number of shares used for the nine months ended 31 December 2015 calculations of weighted average numbers of ordinary shares shown above have been adjusted for the bonus element implicit in the discount for the new shares and the New Warrants issued in the Subscription on 26 October 2015 (Note 16(b)(ii)).

The ordinary shares outstanding during the period/year has been retrospectively decreased for the impact of the Share Consolidation on 27 October 2015.

31 LOSS PER SHARE *(continued)*

From continuing operations *(continued)*

(b) Diluted

The computation of diluted loss per share does not assume the exercise of the Company's share options, warrants and conversion of the Company's outstanding convertible bonds since their assumed exercise conversion would result in a decrease in loss per share from the continuing operations.

From discontinued operations

During the year ended 31 March 2015, basic and diluted loss per share from discontinued operations was HK0.45 cents, which was calculated based on the loss for the year from discontinued operations of approximately HK$59,798,000 and the denominators detailed above for calculating basic and diluted loss per share from continuing operations.

32 NET CASH GENERATED FROM OPERATIONS

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Loss before income tax		
– continuing operations	**(228,045)**	(79,990)
– discontinuing operations	**–**	(59,798)
Adjustments for:		
Depreciation *(Note 6)*	**1,325**	1,711
Amortisation of land use rights *(Note 7)*	**247**	338
Net change in fair value of financial assets at fair value through profit or loss *(Note 13)*	**22,608**	(4,410)
Other income	**(265)**	(469)
Other gains-net *(Note 28)*	**(2,668)**	(223)
Equity-settled share-based payments *(Note 18)*	**184,808**	20,732
Finance cost-net *(Note 29)*	**2,808**	16,298
Loss on disposal of subsidiaries, exclude the cash disposal *(Note 37)*	**–**	51,212
Changes in working capital:		
Inventories	**616**	1,264
Trade receivables	**(1,749)**	(2,343)
Other receivables and prepayments	**1,131**	897
Trade payables	**(2,486)**	2,963
Other payables and accruals	**10,104**	19,719
Net cash used in operations	**(11,566)**	(32,099)

33 COMMITMENTS

(a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Nine months ended 31 December 2015 HK$'000	Year ended 31 March 2015 HK$'000
Not later than one year	1,380	1,521
Later than one year and not later than five years	923	1,948
	2,303	3,469

(b) Capital commitments

	Nine months ended 31 December 2015 HK$'000	Year ended 31 March 2015 HK$'000
Contracted but not provided for		
– online platform	110,019	–

34 RELATED PARTY TRANSACTIONS

The Group is controlled by Evergrande, which owns indirectly 55% of the Company's shares. Mount Yandang owns 20% of the shares and the remaining 25% of the shares are widely held. The ultimate parent of the Group is Xin Xin (BVI) Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Dr. Hui Ka Yan.

In addition to those disclosed elsewhere in the financial statements, during the nine months ended 31 December 2015 and year ended 31 March 2015, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

(a) Name and relationship with related parties

Name	Relationship
Mascotte Investments Limited	A company in which a key management personnel of the Group has controlling interest

Note: The key management personnel is a director of the Group's entities.

34 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

	Nine months ended 31 December 2015 HK$'000	Year ended 31 March 2015 HK$'000
Rental expenses:		
Mascotte Investments Limited	**522**	626

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the particulars of principal subsidiaries of the Company as at 31 December 2015:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Flamm Investment Holdings Limited	Hong Kong	Provision of management services to group entities, Hong Kong	HK$1	100%	100%	–
Sun Mass Corporation	BVI	Investment holding, BVI	–	100%	100%	–
Sun Mass Funding Corporation	BVI	Investment holding, BVI	–	100%	100%	–
Crown Emerald Investments Limited	BVI	Trading of investments Hong Kong	HK$85,076,371	–	100%	–
Dongguan Tak Ya Leather Goods Manufactory Limited	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, The PRC	HK$10,400,000	–	100%	–

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Mascotte Industrial Associates Group Limited	BVI	Investment holding, Hong Kong	US$4	–	100%	–
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	Trading of accessories for photographic, electrical and multimedia product, Hong Kong	HK$2	–	100%	–
Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co. Ltd	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, The PRC	US$4,180,000	–	90%	10%
Time Beyond Limited	Hong Kong	Loan financing, Hong Kong	HK$11,547,930	–	100%	–
Begonia Limited	Hong Kong	Investment holding, Hong Kong	HK$1	–	100%	–

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2015 was HK$4,627,000 (31 March 2015: HK$5,028,000).

Set out below are the summarised financial information for the subsidiary, Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co. Ltd., that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	31 December 2015 ***HK$'000***	31 March 2015 *HK$'000*
Current		
Assets	**63,704**	65,915
Liabilities	**(34,659)**	(35,453)
Total net current assets	**29,045**	30,462
Non-current		
Assets	**21,860**	24,307
Liabilities	**(4,636)**	(4,483)
Total net non-current assets	**17,224**	19,824
Net assets	**46,269**	50,286

Summarised statement of comprehensive income

	Nine months ended 31 December 2015 ***HK$'000***	Year ended 31 March 2015 HK$'000
Revenue	**19,180**	25,193
Loss before income tax	**(817)**	(6,682)
Income tax expense	**(521)**	(16)
Post-tax profit	**(1,338)**	(6,698)
Other comprehensive income	**(2,676)**	–
Total comprehensive income	**(4,014)**	(6,698)
Total comprehensive income allocated to non-controlling interests	**(401)**	(670)

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

(a) Material non-controlling interests *(continued)*

Summarised statement of cash flows

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*
Cash flows used in operating activities		
Cash used in operations	**(2,241)**	(7,628)
Income tax paid	**–**	(30)
Net cash used in operating activities	**(2,241)**	(7,658)
Net cash generated from investing activities	**67**	515
Net decrease in cash and cash equivalents	**(2,174)**	(7,143)
Cash and cash equivalents at beginning of period/year	**12,498**	19,641
Exchange losses on cash and cash equivalents	**(695)**	–
Cash and cash equivalents at end of period/year	**9,629**	12,498

The information above is the amount before inter-company eliminations.

36 DISCONTINUED OPERATIONS

On 16 June 2014, the Group entered into a sale and purchase agreement with an independent individual ("Purchaser") (the "Agreement"). Pursuant to the Agreement, the Group conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Sun Mass Energy Limited its subsidiaries (collectively known as "Sun Mass Group"), which carried out all of the Group's solar grade polycrystalline silicon operation. The disposal was completed on 25 June 2014, on which date the control of Sun Mass Group was passed to the Purchaser.

(a) Analysis of the result of discontinued operations, and the result recognised on disposal of disposal group, is as follows:

	Note	Year ended 31 March 2015 *HK$'000*
Other income		320
Other gains-net		188
Administrative and other expenses		(8,984)
Finance costs		(110)
Loss before tax of discontinued operations		(8,586)
Income tax expenses		–
Loss after tax of discontinued operations		(8,586)
Pre-tax loss recognised disposal of disposal group	37	(51,212)
Income tax expenses		–
After tax loss recognised disposal of disposal group		(51,212)
Loss from discontinued operations		(59,798)
Loss from discontinued operations attributable to:		
– Owners of the company		(59,798)
– Non-controlling interests		–
Loss from discontinued operations		(59,798)

36 DISCONTINUED OPERATIONS *(continued)*

(b) Cash flows

	Year ended 31 March 2015 *HK$'000*
Operating cash flows	(9,642)
Investing cash flows	(556)
Financing cash flows	(789)
Total cash flows	(10,987)

37 DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2015, the Group disposed of its entire interest in Sun Mass Group for a total consideration of HK$1. The net loss on disposal of Sun Mass Group is as follows:

	Year ended 31 March 2015 *HK$'000*
Analysis of assets and liabilities over which control was lost:	
Restricted bank deposits	5,379
Rental deposits	25
Other receivables and prepayments	1,781
Cash and cash equivalents	561
Other payables and accruals	(10,336)
Borrowings	(35,658)
Net liabilities disposed of	(38,248)
Loss on disposal of subsidiaries:	
Net liabilities disposed of	38,248
Reclassification adjustment – transfer translation reserve to profit or loss upon disposal of subsidiaries	(89,460)
Loss on disposal	(51,212)
Cash consideration	–
Cash and cash equivalents disposal of	(561)
Net cash out flow from disposal of subsidiaries	(561)

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	31 December 2015 HK$'000	31 March 2015 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**89,260**	89,260
Property, plant and equipment		**81**	117
		89,341	89,377
Current assets			
Amounts due from subsidiaries		**153**	153
Other receivables		**228**	1,560
Cash and cash equivalents		**729,534**	15,078
		729,915	16,791
Total assets		**819,256**	106,168
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**147,179**	312,689
Share premium	(a)	**5,193,669**	4,133,356
Other reserves	(a)	**71,192**	494,433
Accumulated losses	(a)	**(4,661,056)**	(4,972,748)
Total equity/(deficit)		**750,984**	(32,270)
LIABILITIES			
Non-current liabilities			
Borrowings		**60,000**	60,000
Deferred tax liabilities		**–**	215
		60,000	60,215
Current liabilities			
Other payables and accruals		**4,898**	21,010
Amounts due to subsidiaries		**3,374**	57,213
		8,272	78,223
Total liabilities		**68,272**	138,438
Total equity and liabilities		**819,256**	106,168

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2016 and was signed on its behalf.

Director

Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company

	Share premium HK$'000	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March 2014	2,744,812	–	1,633,608	72,201	10,570	(3,756,833)	704,358
Loss for the year	–	–	–	–	–	(1,002,046)	(1,002,046)
Issue of new shares under placement	67,761	–	–	–	–	–	67,761
Transaction costs attributable to issue of shares	(2,796)	–	–	–	–	–	(2,796)
Issue of shares upon exercise of share options	44,307	–	–	–	(19,507)	–	24,800
Recognition of equity-settled share-based payment	–	–	–	–	20,732	–	20,732
Transferred to accumulated losses upon lapse of share options	–	–	–	–	(56)	56	–
Transferred to accumulated losses upon cancellation of share options	–	–	–	–	(11,739)	11,739	–
Transaction costs attributable to issue of warrants	–	(1,058)	–	–	–	–	(1,058)
Issue of shares upon exercise of warrants	64	1	–	–	–	–	65
Conversion of Convertible Bonds (I) and Convertible Bonds (II)	720,646	–	(792,343)	–	–	–	(71,697)
Conversion of New Convertible Bonds (I) and New Convertible Bonds (II)	558,562	–	(598,453)	–	–	–	(39,891)
Effect arising on the revision of terms of Convertible Bonds (I) and Convertible Bonds (II)	–	–	181,510	–	–	(225,664)	(44,154)
Recognition of deferred tax liabilities upon issuance of New Convertible Bonds (I) and New Convertible Bonds (II)	–	–	(2,191)	–	–	–	(2,191)
Release of deferred tax liabilities on conversion of Convertible Bonds (I) and Convertible Bonds (II)	–	–	614	–	–	–	614
Release of deferred tax liabilities on conversion of New Convertible Bonds (I) and New Convertible Bonds (II)	–	–	483	–	–	–	483
Release of deferred tax liabilities upon extinguishment of Convertible Bonds (II)	–	–	61	–	–	–	61
At 31 March 2015	4,133,356	(1,057)	423,289	72,201	–	(4,972,748)	(344,959)

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movement of the Company *(continued)*

	Share premium HK$'000	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	4,133,356	(1,057)	423,289	72,201	–	(4,972,748)	(344,959)
Loss for the period	–	–	–	–	–	(203,800)	(203,800)
Issue of new shares upon Subscription	562,172	–	–	–	–	–	562,172
Transaction costs attributable to issue of shares upon Subscription	(11,275)	–	–	–	–	–	(11,275)
Transaction costs attributable to issue of new shares	(3)	–	–	–	–	–	(3)
Transaction costs attributable to issue of the New Warrants	–	(208)	–	–	–	–	(208)
Issue of new shares upon exercise of the Warrants	119,048	256	–	–	–	–	119,304
Conversion of New Convertible Bonds (I)	390,371	–	(423,289)	–	–	–	(32,918)
Recognition of equity-settled share-based payments	–	–	–	–	184,808	–	184,808
Transferred to accumulated losses upon cancellation of share options	–	–	–	–	(184,808)	184,808	–
Capital Reorganisation	–	–	–	330,684	–	–	330,684
Transfer to accumulated losses upon cancellation of share options	–	–	–	(330,684)	–	330,684	–
At 31 December 2015	5,193,669	(1,009)	–	72,201	–	(4,661,056)	603,805

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the nine months ended 31 December 2015 is set out below:

	Fees *HK$'000*	Salary *HK$'000*	Contribution to pension scheme *HK$'000*	Employees share option scheme *HK$'000*	Total *HK$'000*
Peng Jianjun *(Note (i))*	40	–	–	–	40
Liu Yongzhuo *(Note (i))*	40	–	–	–	40
Huang Xiangui *(Note (i))*	40	–	–	–	40
Zhuo Yueqiang *(Note (i))*	–	–	–	–	–
Chung Yuk Lun *(Note (iii), (vii))*	–	1,511	11	–	1,522
Chow Chi Wah, Vincent *(Note (iv), (vii))*	–	540	11	–	551
Kwong Kai Sing, Benny *(Note (v))*	–	1,055	9	–	1,064
Chau Shing Yim, David *(Note (ii))*	67	–	–	–	67
Nie Zhixin *(Note (ii))*	67	–	–	–	67
Chen Haiquan *(Note (ii))*	67	–	–	–	67
Frank H. Miu *(Note (vi))*	137	–	–	–	137
Robert James Iaia II *(Note (vi))*	137	–	–	–	137
Hung Cho Sing *(Note (vi))*	137	–	–	–	137
Chung Kong Fei Stephen *(Note (vi))*	137	–	–	–	137
	869	3,106	31	–	4,006

39 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' and chief executives' emoluments *(continued)*

The remuneration of directors of the Company for the year ended 31 March 2015 is set out below:

	Fees	Salary	Contribution to pension scheme	Employees share option scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Danny F. *(Note (viii))*	–	400	3	–	403
Suen Yick Lun Philip *(Note (ix))*	–	255	4	–	259
Eddie Woo *(Note (x))*	–	796	14	854	1,664
Wong Yuen Mui *(Note (xi))*	–	180	4	–	184
Shum Ching Yee Jennifer *(Note (xii))*	–	450	8	–	458
Chung Yuk Lun *(Note (iii))*	–	2,271	16	–	2,287
Chow Chi Wah Vincent *(Note (iv))*	–	445	8	–	453
Frank H. Miu	240	–	–	–	240
Agustin V. Que *(Note (xiii))*	160	–	–	–	160
Robert James Iaia II	240	–	–	–	240
Hung Cho Sing	240	–	–	–	240
Chung Kong Fei Stephen *(Note (vi))*	91	–	–	–	91
	971	4,797	57	854	6,679

Note:

(i) Mr. Peng Jianjun, Mr. Liu Yongzhuo, Mr. Huang Xiangui and Mr. Zhuo Yueqiang have been appointed as executive directors of the Company with effect from 26 October 2015.

(ii) Mr. Chau Shing Yim, David, Mr. Nie Zhixin and Mr. Chen Haiquan have been appointed as independent non-executive directors of the Company with effect from 26 October 2015.

(iii) Mr. Chung Yuk Lun was appointed as an executive director on 7 May 2014 and he has resigned as an executive director and the chairman of the Board with effect from 26 October 2015.

(iv) Mr. Chow Chi Wah Vincent was appointed as an executive director on 3 November 2014 and he has resigned as an executive director with effect from 26 October 2015.

(v) Dr. Kwong Kai Sing, Benny was appointed as an executive director and managing director on 1 May 2015 and he has resigned as an executive director and managing director with effect from 26 October 2015.

(vi) Mr. Chung Kong Fei Stephen was appointed as an independent non-executive director on 14 November 2014 and he has resigned as independent non-executive directors with effect from 26 October 2015. And Mr. Frank H. Miu, Mr. Robert James Iaia II and Mr. Hung Cho Sing have resigned as independent non-executive directors with effect from 26 October 2015.

(vii) On 22 April 2015, the Company granted share options to two directors, under which directors are entitled to acquire 624,000,000 shares of the company which amount to HK$51,864,000. On 22 May 2015, directors agreed with the Company to cancel all share options granted to them under 2013 Option Scheme without getting any compensation in return.

39 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' and chief executives' emoluments *(continued)*

Note: (continued)

(viii) Mr. Wong Danny F. resigned as an executive director on 3 June 2014.

(ix) Mr. Suen Yick Lun Philip resigned as an executive director as well as chief executive officer on 1 July 2014, his remunerations disclosed above include those for services rendered by him as chief executive officer.

(x) Mr. Eddie Woo was re-designated from an executive director to non-executive director on 4 December 2014 and resigned as non-executive director on 21 January 2015.

(xi) Miss. Wong Yuen Mui resigned as an executive director on 1 July 2014.

(xii) Ms. Shum Ching Yee Jennifer resigned as an executive director on 8 September 2014.

(xiii) Dr. Agustin V. Que resigned as an independent non-executive director on 1 December 2014.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the nine months ended 31 December 2015.

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

For the nine months ended 31 December 2015, the Group did not pay consideration to any third parties for making available directors' services.

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

For the nine months ended 31 December 2015, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (for the year ended 31 March 2015: nil).

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

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

40 EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred after the balance sheet date.

FIVE YEARS FINANCIAL SUMMARY

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

	Nine months ended 31 December 2015 *HK$'000*	Year ended 31 March 2015 *HK$'000*	2014 *HK$'000*	2013 *HK$'000*	2012 *HK$'000*
RESULTS					
Turnover	**101,877**	101,224	109,346	166,456	204,475
Loss before tax	**(228,045)**	(139,788)	(541,206)	(1,191,958)	(3,290,767)
Income tax credit (charge)	**95**	10,687	(5,605)	15,654	9,096
Loss for the year	**(227,950)**	(129,101)	(546,811)	(1,176,304)	(3,281,671)
Attributable to:					
Owners of the Company	**(227,817)**	(128,431)	(545,696)	(1,176,604)	(3,282,135)
Non-controlling interests	**(133)**	(670)	(1,115)	300	464
	(227,950)	(129,101)	(546,811)	(1,176,304)	(3,281,671)

	As at 31 December 2015 ***HK$'000***	As at 31 March 2015 *HK$'000*	2014 *HK$'000*	2013 *HK$'000*	2012 *HK$'000*
ASSETS AND LIABILITIES					
Total assets	**866,306**	125,474	146,643	402,709	1,031,772
Total liabilities	**(134,323)**	(153,158)	(246,570)	(1,488,814)	(2,489,076)
Net assets (liabilities)	**731,983**	(27,684)	(99,927)	(1,086,105)	(1,457,304)
Equity attributable to owners of the Company	**727,356**	(32,712)	(105,625)	(1,091,399)	(1,462,229)
Non-controlling interests	**4,627**	5,028	5,698	5,294	4,925
	731,983	(27,684)	(99,927)	(1,086,105)	(1,457,304)

Note: The above five years financial summary has not been re-presented to reclassify the performance of solar grade polycrystalline silicon operation as discontinued operations.

PARTICULARS OF INVESTMENT PROPERTIES

Location	Lease term	Group's interest	Type
PEOPLE'S REPUBLIC OF CHINA			
Portion of an industrial complex situated at Lot No. 14-03-129 and 14-03-383 Tang Beiyuan Village Dushi Administrative Zone Pingtan Zhen Huiyang County Huizhou City Guangdong Province	Medium-term lease	90%	Commercial