**ASX PRELIMINARY FINAL REPORT**

**TTG Fintech Limited**

**ARBN 158 702 400**

**31 March 2016**

Lodged with the ASX under Listing Rule 4.3A

This preliminary final report covers the consolidated entity consisting of TTG Fintech Limited ("TTG", or the "Company") and its controlled entities. The financial statements are presented in Renminbi (RMB), the official currency of the People's Republic of China, unless otherwise stated.

The report is based on accounts which are in the process of being audited.

**Contents**

**Details of the reporting period and the previous corresponding period**

Reporting period: Year ended 31 March 2016
Prior corresponding period: Year ended 31 March 2015

**Results for announcement to the market**

Key information

| | Year ended 31 March 2016 RMB '000 | Year ended 31 March 2015 RMB '000 | % change |
|---|---|---|---|
| Revenue | 5,354 | 5,328 | 0.5% |
| Loss after income tax expense | (19,319) | (12,500) | 55% |
| Loss attributable to members of the company | (18,919) | (12,475) | 52% |

**Dividends**

No dividends have been paid nor are any dividends proposed to be paid.

**Commentary**

Revenues increased less than 1% to RMB5.35 million. Our revenue is mainly derived from distribution of our smart cloud-supported POS system called Tlinx. Gross profit also dropped from RMB2 million to RMB902k because of increasing direct costs.

Other net income dropped from RMB1.7 million to RMB1.1 million. Other net income for the financial year mainly includes exchange gain of RMB0.3 million and government grant of RMB0.6 million.

General administrative expenses increased by 34%, or RMB4.1 million, to RMB16.4 million. Main reasons include:

(i) increase in salary and remuneration of 1 executive director totalling RMB3.9 million
(ii) increase in office rental of RMB1.1 million
(iii) Increase in share based payment of RMB0.8 million
(iv) decrease in professional fee of RMB1.8 million

Increase in salary was due to increase in human resources to cope with the expansion and market salary level. Increase in rental expenses was due to the rental of a new office in Shenzhen and the rental of subsidiary offices. Increase in share based payment was a non-cash item derived from the issue of share options (please see below).

On the other hand, professional fee was higher in the previous financial year because of equity raising activities. As there was no equity issue for this financial year, professional fee dropped by RMB1.8 million.

Sales and marketing expenses also increased by 12%, or 380k, to RMB3.6 million, to cope with the increasing expansion of the Company.

Together with the share of results of associates of RMB1.2 million and the non-controlling interests of RMB0.4 million, our loss attributable to shareholders increased by 52%, or RMB6.4 million, to RMB18.9 million. Loss per share increased from RMB2.0 cent per share to RMB3.0 cent per share.

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

Please refer to Page 7

**Consolidated Statement of Financial Position**

Please refer to Page 8

**Consolidated Statement of Changes in Equity**

Please refer to Page 9

**Consolidated Statement of Cash Flows**

Please refer to Page 10

**Additional dividend information**

The Company has not declared any dividends.

**Dividend reinvestment plan**

The Company has no dividend reinvestment plan.

**Net tangible asset backing**

Net tangible asset backing per ordinary share at:

| | |
|---|---|
| 31 March 2016 | RMB 1.0 cents |
| 31 March 2015 | RMB 3.9 cents |

**Controlled entities acquired or disposed of**

The Company had no acquisition or disposal of controlled entities during the financial year.

**Associates and joint venture entities**

During the financial year, the Company acquired 1.5% of equity interest in 深圳市大售后信息技术有限公司 (English translated name: Shenzhen Dashouhou Information Technology Co., Ltd) at a consideration of RMB15,000. Other than this transaction, the Company did not acquire or dispose of any interest in associates and joint venture entities.

As at 31 March 2016, the Company has investments in two associates:

i. 37.5% of 圳市智慧付信息技术有限公司 (English translated name: Shenzhen Intelligent Preferential Pay Co., Limited, or "IPP")

ii. 47.5% of Shenzhen Dashouhou Information Technology Co., Ltd

**Other significant information**

Share Options

In August 2015, the Company, issued 9,770,000 share options to Group A investors, and 2,000,000 share options to Group B investors.

Pursuant to TTG Employee Incentive Plan, the Company also issued 6,377,474 share options to Mr. Gary Kwok, and 1,200,000 Share Options to Chris Ryan & Sabine Ryan and Lois Ryan as trustee for Ryan Retirement Fund ("Ryan Retirement Fund"). Given Mr. Gary Kwok and Mr. Chris Ryan are directors of TTG Fintech Limited, the issue of these options required shareholders' approval, which were obtained on 23 September 2015.

The options are exercisable from 1 July 2016 to 30 June 2021 at an exercise price of A$0.80 for Group A investors, Mr. Gary Kwok and Ryan Retirement Fund, and A$1.00 for Group B investors. In the event there are outstanding options yet to be exercised upon the expiry of the exercise period for the Tranche 5, they can be extended for another 12 months up to 30 June 2022, after which it is the discretion of the Board to extend further.

Each option can be converted into 1 ordinary share.

| Tranche | Percentage of options eligible to be exercised | Prescribed exercise date | Exercise date |
|---|---|---|---|
| Tranche 1 | 10% | 1 July 2016 | 1 July 2016 to 30 Jun 2017 |
| Tranche 2 | 10% | 1 July 2017 | 1 July 2017 to 30 Jun 2018 |
| Tranche 3 | 20% | 1 July 2018 | 1 July 2018 to 30 Jun 2019 |
| Tranche 4 | 20% | 1 July 2019 | 1 July 2019 to 30 Jun 2020 |
| Tranche 5 | 40% | 1 July 2020 | 1 July 2020 to 30 Jun 2021 |

**Foreign entities**

The reports have been prepared under International Financial Reporting Standards and Hong Kong Financial Reporting Standards.

**Commentary on the operations and results**

Introduction of TTG

TTG is a digital transaction service company. With its patented intellectual property TTG's technology accommodates different payment switching methodologies, allowing for flexibility for online and offline clearance services with merchants. One notable example is our own smart cloud-supported POS system called Tlinx which is developed based on our FEA technology.

Tlinx can be applied to different types of POS, both traditional and smart. Tlinx accommodates varying payment methodologies (e.g. cash, bank card, debit card, QR code, NFC, mobile payment, payment by royalty points, etc.) to be transacted on one hardware portal. Commercial banks, merchants, POS acquirers, traditional POS manufacturers, Management Information System (MIS) manufacturers, electronic tax invoice system providers, retail chains and other private companies all benefit from the use of our Tlinx.

Tlinx allows for data transmission and supports risk analysis of bank loan financing for commercial banks and financiers, MIS functions and financial planning for merchants, as well as numerous CRM functions (e.g. promotion of merchants, coupon, transaction data management, customer loyalty data analysis and management, etc) for diverse industries such as beverage, retail chain stores and B2C e-commerce.

In addition, our technology can serve to upgrade the traditional POS to the intelligent POS so that the clients with existing traditional POS facilities can enjoy the above value added services.

TTG is entitled to:

(i) System development fee
(ii) System maintenance fee
(iii) Transaction fees generated on the transactions that employ the FEA and Tlinx.

Market and business analysis

In the financial year, TTG continued to promote POS our Tlinx inside. The merchants, and banks and POS manufacturers which will sell or promote their services with POS, are more willing to accept our Tlinx inside POS which works as a mini computer for all cashier, marketing, accounting functions for merchants in a one-stop shop. They showed increasing interests to employ POS with Tlinx inside. As the new payment methodology is widely accepted, we believe our products and services which can help simplify users' and merchants' payment will also become more popular.

In the coming financial year, TTG will continue to work closely with different payment clearance related service companies, including POS acquiring companies, banks, telecommunication companies, POS manufacturers, and merchants, to further promote our products and services. We expect a very strong demand of our Tlinx products in the PRC in the next financial year.

Overseas market

Apart from China market, TTG already expanded our Tlinx into Taiwan markets. According to the agreement between the Company and 久昌金融科技股份有限公司 ("TBF", translated name: Taiwan Boom FinTech Co., Ltd ), a company incorporated in Taiwan, which is engaged in the provision of intelligent POS platform cloud systems and IP rights to Taiwanese banks, telecommunication companies, retail chains and other business merchants. As a result, TBF will be granted exclusive rights for distribution and sale of TTG Fintech's product and solutions in Taiwan. In return TBF will pay RMB20 million to TTG in addition to the transfer of 30% of its total issued capital to TTG. Payment terms of the RMB20 million are as follows:

1. RMB2 million – on or before 28 May 2016;
2. RMB2 million – on or before 30 September 2016;
3. RMB2 million – on or before 30 January 2017;
4. RMB14 million will be repaid by TBF to TTG out of 50% of the first RMB28 million gross revenue receivable from TBF within 3 years commencing from the date the actual distribution and sale is in operation.

Upon repayment in full of the first RMB20 million, TTG can share 25% of gross revenue generated from distribution and sale of TTG Fintech's products and solutions.

The first payment of RMB2 million (RMB1.6 million after tax) was received on 28 May 2016.

In the upcoming financial year, we target to expand our services into other Asian countries such as Japan, Thailand, etc.

Financial results

The Company incurred a loss of RMB0.030 per share, compared to the loss of RMB0.020 per share in the previous period. The increase in loss per share is mainly due to increase in costs as discussed above. The Company did not propose any dividend distribution or buy back during the period.

Outlook

Other than the longer than expected timing to roll out our Tlinx products, TTG's board considers the Company's operations for the current financial year have met management expectations. Our Tlinx system has achieved increasing acceptance and our FEA services is expected to grow significantly in the future.

Your Board considers FY17 will yield significant revenue as the anticipated R&D phase of Tlinx has been completed and the Company has now entered the commercialisation stage of its resulting intellectual property. While timing is difficult to predict, the Company still aims to break-even during the financial year ending 31 March 2017.

**Statement as to the audit status**

The report is based on accounts which are in the process of being audited. The Company expects that the audit, when completed, will result in an audit opinion below.

The auditor of the Company has proposed audit opinion with emphasis of matter as suggested below:

<u>"Emphasis of Matters</u>

We draw attention in note 2(b) to the financial statements which indicate that the Company and its subsidiaries incurred a loss attributable to owners of the Company of RMB 18,919,418 and net cash outflow from operating activities of RMB18,369,797 for the year ended 31 March 2016 and the Company and its subsidiaries had net current liabilities of RMB22,291 as at 31 March 2016. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Company and its subsidiaries to attain profitable and positive cashflows from operations and the financial support from shareholders. These conditions, along with other matters as set forth in note 2(b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company and its subsidiaries' ability to continue as a going concern. Our opinion is not qualified in respect of this matter."

In addition, management has already taken the following steps to improve the situation：

1. Strengthening the sales and marketing
2. Speeding up the collection process;
3. Loan agreement for RMB12 million with Mr. Xiong Qiang and Mr. Chow Ki Shui Louie, directors and major shareholders of the Company, for a period from 27 May 2016 to 27 March 2017.

Apart from the RMB2 million (RMB1.6 million after tax) received from TBF, we expect to receive about RMB2.5 million from another client in China shortly. We expect to generate more sales from this client after settlement of the above outstanding sum. We also expect to sign formal contracts with potential clients which already signed memorandum of understanding with us in the coming financial year. One of them is a regional bank in China while the other is one of the leading POS manufacturers in China.

TTG's board is very confident that the financial year ending 31 March 2017 will be a turnaround year.

**TTG FINTECH LIMITED**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 MARCH 2016 (UNAUDITED)**

| | Note | 2016<br>RMB | 2015<br>RMB |
|---|---|---|---|
| **Revenue** | 4 | 5,353,616 | 5,327,966 |
| **Cost of sales** | | (4,452,016) | (3,271,595) |
| **Gross profit** | | 901,600 | 2,056,371 |
| **Other revenue** | 5 | 193,268 | 220,975 |
| **Other net income** | 5 | 1,145,352 | 1,730,459 |
| | | 2,240,220 | 4,007,805 |
| Selling expenses | | (3,579,515) | (3,199,888) |
| General and administrative expenses | | (16,375,783) | (12,230,960) |
| Change in fair value of embedded derivatives in convertible redeemable bonds | 20 | (430,748) | - |
| Share of losses of associates | | (1,164,010) | (1,076,702) |
| Finance costs | 6(a) | (8,799) | - |
| **Loss before taxation** | 6 | (19,318,635) | (12,499,745) |
| **Income tax** | 7 | - | - |
| **Loss for the year** | | (19,318,635) | (12,499,745) |
| **Other comprehensive income for the year, net of nil tax** | | - | - |
| **Total comprehensive loss for the year** | | (19,318,635) | (12,499,745) |
| **Loss and total comprehensive loss for the year attributable to:** | | | |
| Owners of the Company | | (18,919,418) | (12,475,227) |
| Non-controlling interests | | (399,217) | (24,518) |
| | | (19,318,635) | (12,499,745) |
| **Loss per share (RMB)** | 10 | | |
| Basic | | (0.0297) | (0.0196) |
| Diluted | | (0.0297) | (0.0196) |

The notes on pages 11 to 60 form an integral part of these financial statements.

**TTG FINTECH LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 MARCH 2016 (UNAUDITED)**

| | Note | 2016<br>RMB | 2015<br>RMB |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 4,538,934 | 1,848,515 |
| Intangible asset | 13 | - | - |
| Interests in associates | 14 | 2,558,997 | 3,708,007 |
| | | 7,097,931 | 5,556,522 |
| **Current assets** | | | |
| Inventories | 16 | 1,683,999 | 449,458 |
| Trade and other receivables | 17 | 4,193,411 | 2,842,944 |
| Cash and cash equivalents | 18 | 5,046,290 | 20,640,241 |
| | | 10,923,700 | 23,932,643 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 4,505,941 | 4,782,456 |
| Convertible bonds | 20 | 6,440,050 | - |
| | | 10,945,991 | 4,782,456 |
| **Net current (liabilities)/assets** | | (22,291) | 19,150,187 |
| **Total assets less current liabilities** | | 7,075,640 | 24,706,709 |
| **Non-current liabilities** | | | |
| Other liabilities | 21 | 403,689 | - |
| **NET ASSETS** | | 6,671,951 | 24,706,709 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 23 | 72,743,496 | 72,743,496 |
| Reserves | 25 | (65,729,810) | (48,078,269) |
| **Equity attributable to owners of the Company** | | 7,013,686 | 24,665,227 |
| **Non-controlling interests** | | (341,735) | 41,482 |
| **TOTAL EQUITY** | | 6,671,951 | 24,706,709 |

The notes on pages 11 to 60 form an integral part of these financial statements.

**TTG FINTECH LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 MARCH 2016 (UNAUDITED)**

| | | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB (Note 23) | Share option reserve RMB (Note 25) | Accumulated losses RMB | Sub-total RMB | Non-controlling interests RMB | Total equity RMB |
| At 1 April 2014 | | 54,440,463 | - | (35,603,042) | (35,603,042) | - | 18,837,421 |
| Loss for the year | | - | - | (12,475,227) | (12,475,227) | (24,518) | (12,499,745) |
| Other comprehensive income | | - | - | - | - | - | - |
| Total comprehensive income | | - | - | (12,475,227) | (12,475,227) | (24,518) | (12,499,745) |
| Contribution from non-controlling interests | | - | - | - | - | 66,000 | 66,000 |
| Issuance of new shares | 23 | 18,554,513 | - | - | - | - | 18,554,513 |
| Share issue expenses | | (251,480) | - | - | - | - | (251,480) |
| | | 18,303,033 | - | - | - | 66,000 | 18,369,033 |
| At 31 March 2015 and 1 April 2015 | | 72,743,496 | - | (48,078,269) | (48,078,269) | 41,482 | 24,706,709 |
| Loss for the year | | - | - | (18,919,418) | (18,919,418) | (399,217) | (19,318,635) |
| Other comprehensive income | | - | - | - | - | - | - |
| Total comprehensive income | | - | - | (18,919,418) | (18,919,418) | (399,217) | (19,318,635) |
| Contribution from non-controlling interests | | - | - | - | - | 16,000 | 16,000 |
| Equity-settled share-based transaction | | - | 1,267,877 | - | 1,267,877 | - | 1,267,877 |
| | | - | 1,267,877 | - | 1,267,877 | 16,000 | 1,283,877 |
| At 31 March 2016 | | 72,743,496 | 1,267,877 | (66,997,687) | (65,729,810) | (341,735) | 6,671,951 |

The component of other comprehensive income does not have any significant tax effect for the years ended 31 March 2016 and 2015.

Note: Share capital contribution of RMB16,000 from non-controlling interests in a subsidiary with a registered capital of RMB2,000,000 of which RMB200,000 was paid during the year ended 31 March 2016.

Share capital contribution of RMB66,000 from non-controlling interests in a subsidiary with a registered capital of RMB1,000,000 of which RMB206,000 was paid during the year ended 31 March 2015.

The notes on pages 11 to 60 form an integral part of these financial statements.

**TTG FINTECH LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 MARCH 2016 (UNAUDITED)**

| | Note | 2016<br>RMB | 2015<br>RMB |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss before taxation | | (19,318,635) | (12,499,745) |
| Adjustments for: | | | |
| Depreciation | 12 | 911,231 | 498,115 |
| Interest income | 5 | (16,145) | (47,950) |
| Amortisation of intangible asset | 13 | - | 47,957 |
| Loss on disposal of property, plant and equipment | 6(b) | 88,293 | 647 |
| Share of losses of associates | | 1,164,010 | 1,076,702 |
| Waiver of amount due to a related party | | - | (56,700) |
| Equity-settled share-based payment expenses | | 1,249,660 | - |
| Finance costs | 6(a) | 8,799 | - |
| Amortisation of deferred gain on conversion component of convertible bonds | 20 | (1,224) | - |
| Loss in fair value of embedded derivatives in convertible bonds | 20 | 430,748 | - |
| Net foreign exchange (gain)/loss | | (393,660) | 2,630 |
| | | (15,876,923) | (10,978,344) |
| **CHANGES IN WORKING CAPITAL** | | | |
| Increase in inventories | | (1,234,541) | (449,458) |
| Increase in trade and other receivables | | (1,350,264) | (2,070,557) |
| Increase in other liabilities | | 410,721 | - |
| (Decrease)/Increase in trade and other payables | | (318,790) | 2,428,978 |
| **NET CASH USED IN OPERATIONS** | | (18,369,797) | (11,069,381) |
| Tax paid | | - | - |
| **NET CASH USED IN OPERATING ACTIVITIES** | | (18,369,797) | (11,069,381) |
| **INVESTING ACTIVITIES** | | | |
| Interest received | 5 | 16,145 | 47,950 |
| Payment for investment in an associate | | (15,000) | (460,000) |
| Proceeds from disposal of property, plant and equipment | | 12,846 | 60 |
| Payments for purchase of property, plant and equipment | | (3,702,789) | (750,418) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (3,688,798) | (1,162,408) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of convertible bonds | | 6,000,000 | - |
| Proceeds from issuance of new shares | | - | 18,554,513 |
| Payment of transaction costs on issuance of new shares | | - | (251,480) |
| Contribution from non-controlling interests | | 16,000 | 66,000 |
| **NET CASH GENERATED FROM FINANCING ACTIVITIES** | | 6,016,000 | 18,369,033 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | (16,042,595) | 6,137,244 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | 20,640,241 | 14,506,557 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | 448,644 | (3,560) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | | |
| Cash and bank balances | 18 | 5,046,290 | 20,640,241 |

The notes on pages 11 to 60 form an integral part of these financial statements.

## 1. GENERAL INFORMATION

TTG Fintech Limited ("the Company") is a limited liability company domiciled and incorporated in Hong Kong. The address of its registered office and principal place of business is Unit 1806, 18/F., Park-In Commercial Centre, 56 Dundas Street, Mongkok, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of system development services and information technology services, sale of point-of-sale machines and licensing for the sale and installation of an internally generated smart cloud-supported point-of-sale system "Tlinx" in the People's Republic of China (the "PRC").

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. As Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), are derived from and consistent with IFRSs, these financial statements also comply with HKFRSs. These financial statements also comply with the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB.

Note 3 provides information on the initial application of those developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### b) Going concern

The Group incurred a loss attributable to owners of the Company of RMB18,919,418 (2015: RMB12,475,227) and net cash outflow from operating activities of RMB18,369,797 (2015: RMB11,069,381) for the year ended 31 March 2016 and had net current liabilities of RMB22,291 as at 31 March 2016. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain profit and positive cash flows from operations in the immediate and longer term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Going concern (Continued)

In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measures:

- the Group entered into a loan agreement for RMB12,000,000 with Mr. Xiong Qiang and Mr. Chow Ki Shui Louie, the directors and major shareholders of the Company, for a period of 27 May 2016 to 27 March 2017; and

- the management have been implementing various strategies to broaden the customer base and revenue of the Group.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group and the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

### c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

These consolidated financial statements have been prepared under the historical cost convention, as modified by financial liabilities (including derivative instruments) at fair value through profit or loss, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the Company's functional currency as the majority of the Group's transactions are denominated in RMB.

The preparation of financial statements in conformity with IFRSs and HKFRSs, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c) Basis of preparation of the financial statements (Continued)

Judgements made by management in the application of IFRSs and HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 29.

### d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### d) Subsidiaries (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(i)), unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

### e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Computer equipment | 20% per annum |
| Leasehold improvements | Over the shorter of the term of the lease or 20% per annum |
| Furniture and fixtures | 20% per annum |
| Motor vehicles | 20% per annum |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

### g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Other development expenditure is recognised as an expense in the period in which it is incurred.

The Group classified the acquired trademarks as intangible assets in accordance with IAS 38 and HKAS 38 Intangible Assets. Trademarks acquired that have an indefinite useful life are stated at cost less any subsequent accumulated impairment losses.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out below.

Trademarks acquired that have a finite useful life are carried at cost less amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of two years.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*Operating lease charges*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Any difference between the straight-line rent amount and the amount payable under the lease is included in other liabilities in the consolidated statement of financial position. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### i) Impairment of assets

i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) Impairment of assets (Continued)

i) Impairment of receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i) Impairment of assets (Continued)

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible asset; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined on a first-in first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses for bad and doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts.

### l) Convertible bonds

Convertible bonds issued by the Company that contain both a liability and embedded derivatives are classified separately into these respective items on initial recognition. Conversion rights that will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company’s shares are conversion right derivatives. Redemption rights are also embedded derivatives and accounted together with conversion right as a single derivative. At the date of issue of the convertible bonds, the derivative is recognised at fair value, the host liability is recognised at the residual amount after deducting the fair value of derivative from the fair value of the convertible bonds as a whole.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### l) Convertible bonds (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion right derivative is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

The liability component and the related embedded derivative of the conversion bond is presented on the face of the statement of financial position as non-current liabilities, unless there is any redemption right valid in the next 12 months.

If the bonds are converted, the respective conversion right derivative in the convertible bonds, together with the carrying value of the liability component at the time of conversion, are transferred to share capital as consideration for the shares issued.

### m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### o) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised to the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

### p) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credit.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### p) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### p) Income tax (Continued)

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### q) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Provision of services

Revenue from the provision of system development services, information technology services, promotion services income and management fee income are recognised when its services are rendered by reference to the stage of completion.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**r) Revenue recognition** (Continued)

ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

iii) Rental income

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

iv) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

v) Licensing income

Licensing income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

vi) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

**s) Translation of foreign currency**

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**t) Related parties**

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

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the board of directors, being the chief operating decision maker, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new standards and amendments to IFRSs issued by the IASB and HKFRSs issued by HKICPA that are effective for the current accounting period.

| | |
|---|---|
| Amendments to IFRSs / HKFRSs | Annual Improvements to IFRSs / HKFRSs 2010-2012 Cycle |
| Amendments to IFRSs / HKFRSs | Annual Improvements to IFRSs / HKFRSs 2011-2013 Cycle |
| Amendments to IAS 19 / HKAS 19 | Defined Benefit Plans: Employee Contributions |

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs/HKFRSs are discussed below:

**Amendments to IAS 19/HKAS 19, Defined benefit plans: Employee contributions**

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, the Company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

**Annual Improvements to IFRSs/HKFRSs 2010-2012 Cycle and 2011-2013 Cycle**

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24/HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

## 4. REVENUE

Revenue represents the income from provision of system development services and information technology services, sale of point-of-sale machines and licensing income from sale and distribution of Tlinx. The amount of each significant category of revenue during the years is as follows:

| | 2016<br>RMB | 2015<br>RMB |
|---|---:|---:|
| Revenue from provision of system development services | 1,245,903 | 265,243 |
| Revenue from provision of information technology services | 1,858,945 | 628,312 |
| Revenue from sale of point-of-sale machines | 2,248,768 | 162,566 |
| Licensing income from sale and distribution of Tlinx | - | 4,271,845 |
| | 5,353,616 | 5,327,966 |

## 5. OTHER REVENUE AND OTHER NET INCOME

| | 2016<br>RMB | 2015<br>RMB |
|---|---:|---:|
| **Other revenue** | | |
| Interest income on bank deposits | 16,145 | 47,950 |
| | | |
| Total interest income on financial assets not at fair value through profit or loss | 16,145 | 47,950 |
| Promotion services income | - | 15,198 |
| Management fee income | 177,123 | 115,081 |
| Income from sub-letting of computer equipment | - | 42,746 |
| | 193,268 | 220,975 |

## 5. OTHER REVENUE AND OTHER NET INCOME (Continued)

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| **Other net income** | | |
| Net exchange gain | 338,434 | 99,186 |
| Sundry income | 142,747 | 40,273 |
| Government grants (Note) | 581,567 | 1,534,300 |
| Income from show rooms | 81,380 | - |
| Amortisation of deferred gain on conversion component of convertible bonds | 1,224 | - |
| Waiver of amount due to a related party (Note 30(c)(i)) | - | 56,700 |
| | 1,145,352 | 1,730,459 |

Note:

During the year ended 31 March 2016, the Group successfully applied for funding support of RMB371,967 from "深圳市 2015 年戰略新興產業發展專項資金", set up by the PRC government. One of purpose of fund is to support startup of small and medium size technology corporation. In addition, the Group also successfully applied for funding support from "深圳市羅湖區產業轉型升級專項資金", set up by the PRC government. The Group obtained funding of RMB165,300 for support operation of E-commerce entity and registered high-tech enterprise and of RMB12,300 for encouraging the PRC entity to register its self-developed software under the National Copyright Administration of the PRC. Furthermore, the Group successfully applied for funding support of RMB30,200 and RMB1,800 from "深圳市知識產權專項資金" and "2015 年福田區產業發展專項資金" respectively, set up by the PRC government. The purpose of the funds is to encourage the PRC entity to register its intellectual properties.

During the year ended 31 March 2015, the Group successfully applied for funding support of RMB600,000 from "2013 深圳市地方特色產業中小企業發展資金", set up by the PRC government. The purpose of fund is to support the development of new innovation industries by granting financial assistance. In addition, the Group also successfully applied for funding support of RMB793,300 from "2015 深圳市民營及中小企業發展事項資金企業改制上市培育項目", set up by the PRC government. One of the purposes of fund is to support the PRC incorporated entities to go public in oversea stock exchange. Furthermore, the Group successfully applied for funding support of RMB141,000 from "2011 羅湖區產業轉型升級專項資金" , set up by the PRC government. The purpose of fund is to support the entities which involved in E-commerce business and support those entities to move into E-commerce business district.

## 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

| | 2016 RMB | 2015 RMB |
|---|---|---|
| **a) Finance costs** | | |
| Interest expense on convertible bonds | 8,799 | - |
| **b) Other items** | | |
| Auditor's remuneration | | |
| - audit services | 357,095 | 340,700 |
| - other services | 156,229 | 149,766 |
| Cost of inventories sold | 1,649,032 | 96,463 |
| Cost of services rendered | 2,802,984 | 3,175,132 |
| Depreciation on property, plant and equipment | 911,231 | 498,115 |
| Operating lease charges in respect of properties | | |
| - minimum lease payments | 2,442,385 | 1,270,697 |
| Amortisation of intangible asset | - | 47,957 |
| Development expenses | - | 570,828 |
| Loss on disposal of property, plant and equipment | 88,293 | 647 |
| Staff costs (including directors' emoluments) | | |
| Contribution to defined contribution retirement plan | 315,572 | 271,064 |
| Equity-settled share option expense | 417,756 | - |
| Salaries and allowances | 10,656,342 | 9,115,134 |
| | 11,389,670 | 9,386,198 |

## 7. INCOME TAX

No Hong Kong Profits Tax has been made in these consolidated financial statements as the Group has no estimated assessable profits arising in Hong Kong for the years.

Except for Shenzhen Tao-taogu Information Technology Co., Ltd. ("STIT"), the other PRC subsidiaries are subject to PRC corporate income tax at 25%. Pursuant to a notice issued by the tax authority on 5 April 2012, STIT is exempted from PRC corporate income tax for the first two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. No provision for the PRC corporate income tax for Shenzhen Tao-taogu E-commerce Co., Limited ("STEC") as STEC has accumulated tax losses brought forward which exceed the estimated assessable profits for the year ended 31 March 2016. Except for STEC, no provision for the PRC corporate income tax has been made in these consolidated financial statements for the other PRC subsidiaries as those subsidiaries sustained a loss during the years.

## 7. INCOME TAX (Continued)

Reconciliation between tax expenses and accounting loss at applicable tax rates is as follows:

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Loss before taxation | (19,318,635) | (12,499,745) |
| Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned | (4,490,750) | (2,648,169) |
| Tax effect of non-taxable income | - | (1,452) |
| Tax effect of non-deductible expenses | 978,223 | 1,055,545 |
| Tax effect of tax losses from previous periods utilized | (135,614) | - |
| Tax effect of unrecognised tax losses | 3,648,141 | 1,594,076 |
| Actual tax | - | - |

## 8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Directors' fees<br>RMB | Salaries allowance and benefits in kind<br>RMB | Retirement scheme contributions<br>RMB | Equity-settled share option expense<br>RMB | Total<br>RMB |
| **Executive directors** | | | | | |
| Xiong Qiang | - | 655,897 | 8,400 | - | 664,297 |
| Chow Ki Shui Louie | - | 226,270 | 12,342 | - | 238,612 |
| Kwok Kin Kwong Gary | - | 822,800 | 14,810 | 351,598 | 1,189,208 |
| Wu Lin Yan (resigned on 8 June 2015) | - | 36,695 | 1,015 | - | 37,710 |
| **Non-executive directors** | | | | | |
| Ryan, Christopher John | - | 56,403 | - | 66,158 | 122,561 |
| Cai Wen Sheng | - | 56,403 | - | - | 56,403 |
| Yang Yu Chuan (resigned on 17 April 2015) | - | 2,507 | - | - | 2,507 |
| Lan Jun (resigned on 29 April 2015) | - | 4,543 | - | - | 4,543 |
| | - | 1,861,518 | 36,567 | 417,756 | 2,315,841 |

## 8. DIRECTORS' EMOLUMENTS (Continued)

| | 2015 | | | |
|---|---|---|---|---|
| | Directors' fees | Salaries allowance and benefits in kind | Retirement scheme contributions | Total |
| | RMB | RMB | RMB | RMB |
| **Executive directors** | | | | |
| Xiong Qiang | - | 542,906 | 8,400 | 551,306 |
| Chow Ki Shui Louie | - | 239,789 | 12,889 | 252,678 |
| Kwok Kin Kwong Gary | - | 479,578 | 14,887 | 494,465 |
| Wu Lin Yan (resigned on 8 June 2015) | - | 217,558 | 5,376 | 222,934 |
| **Non-executive directors** | | | | |
| Yang Yu Chuan (resigned on 17 April 2015) | - | 65,031 | - | 65,031 |
| Lan Jun (resigned on 29 April 2015) | - | 65,031 | - | 65,031 |
| Ryan, Christopher John | - | 65,031 | - | 65,031 |
| Benson, Ross Kenneth (resigned on 12 September 2014) | - | 34,683 | - | 34,683 |
| Cai Wen Sheng | - | 65,031 | - | 65,031 |
| | - | 1,774,638 | 41,552 | 1,816,190 |

## 9. DIVIDENDS

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

## 10. LOSS PER SHARE

Basic loss per share

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

| | 2016 | 2015 |
|---|---|---|
| | RMB | RMB |
| Loss for the year attributable to owners of the Company | (18,919,418) | (12,475,227) |

| | 2016 | 2015 |
|---|---|---|
| Weighted average number of ordinary shares | 637,747,400 | 637,477,318 |

## 10. LOSS PER SHARE (Continued)

Diluted loss per share

The computation of diluted loss per share for the year ended 31 March 2016 did not assume the conversion of the Company's outstanding convertible bonds as their exercise would result in a decrease in loss per share.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 March 2016 in respect of the share options in issue as the average market price of ordinary shares did not exceed the exercise price of the share option for the year ended 31 March 2016.

Diluted loss per share equals to the basic loss per share as there are no dilutive potential ordinary shares outstanding for the year ended 31 March 2015.

## 11. SEGMENT INFORMATION

The Group manages its business by divisions which are organized from the services perspective.

In a manner consistent with the way in which information is reported internally to the Company's board of directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, the Group's operating activities are attributable to a single operating segment focusing on provision of system development services and information technology services, sale of point-of-sale machines and licensing for the sale and installation of an internally generated smart cloud-supported point-of-sale system "Tlinx". In addition, the principal assets employed by the Group are located in the PRC. Accordingly, no segment analysis is presented other than the below entity-wide disclosures.

**Information about major customers**

An analysis of revenue from customers contributing 10% or more of the Group's total revenue is as follows:

| | 2016 | 2015 |
|---|---|---|
| | RMB | RMB |
| Customer A | - | 4,281,696 |
| Customer B | 1,415,095 | - |
| Customer C | 662,393 | - |
| Customer D | 573,778 | - |

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Computer equipment RMB | Furniture and fixtures RMB | Leasehold improvements RMB | Motor vehicle RMB | Total RMB |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2014 | 2,287,297 | - | 89,175 | - | 2,376,472 |
| Additions | 655,118 | 22,300 | 73,000 | - | 750,418 |
| Disposals | (2,458) | - | - | - | (2,458) |
| At 31 March 2015 and at 1 April 2015 | 2,939,957 | 22,300 | 162,175 | - | 3,124,432 |
| Additions | 1,497,642 | 496,099 | 1,657,162 | 51,886 | 3,702,789 |
| Disposals | (4,630) | (22,300) | (162,175) | - | (189,105) |
| At 31 March 2016 | 4,432,969 | 496,099 | 1,657,162 | 51,886 | 6,638,116 |
| **Accumulated depreciation** | | | | | |
| At 1 April 2014 | 749,696 | - | 29,857 | - | 779,553 |
| Charge for the year | 479,480 | 1,177 | 17,458 | - | 498,115 |
| Written back on disposals | (1,751) | - | - | - | (1,751) |
| At 31 March 2015 and at 1 April 2015 | 1,227,425 | 1,177 | 47,315 | - | 1,275,917 |
| Charge for the year | 692,321 | 45,729 | 167,430 | 5,751 | 911,231 |
| Written back on disposals | - | (4,944) | (83,022) | - | (87,966) |
| At 31 March 2016 | 1,919,746 | 41,962 | 131,723 | 5,751 | 2,099,182 |
| **Carrying amount** | | | | | |
| At 31 March 2016 | 2,513,223 | 454,137 | 1,525,439 | 46,135 | 4,538,934 |
| At 31 March 2015 | 1,712,532 | 21,123 | 114,860 | - | 1,848,515 |

As at 31 March 2015, the Group leased out certain computer equipment with carrying amount of RMB23,633 under an operating lease. The lease typically runs for an initial period of one year. The lease does not include contingent rentals.

## 13. INTANGIBLE ASSET

| | Trademarks RMB |
|---|---|
| **Cost** | |
| At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016 | 295,913 |
| **Accumulated amortisation and impairment loss** | |
| At 1 April 2014 | 247,956 |
| Amortisation for the year | 47,957 |
| At 31 March 2015, 1 April 2015 and 31 March 2016 | 295,913 |
| **Carrying amount** | |
| At 31 March 2016 | - |
| At 31 March 2015 | - |

Note:

The trademarks with cost of RMB200,000 are with an indefinite life. On initial recognition, the directors of the Company are of the opinion that the Group has the ability to use the trademarks continuously and the trademarks are expected to contribute to net cash inflows of existing business indefinitely. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life. Subsequent to the acquisition of trademarks, the directors changed their business strategy by focusing on new business development. The directors considered the recoverable amount of the trademarks was less than its carrying amount, therefore, the trademarks were fully impaired in prior year.

The trademark with cost of RMB95,913 has a finite useful life and is thereafter carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation has been provided on a straight-line method over the expected life of trademark of 2 years. The amortisation charge of RMB47,957 is included in “general and administrative expenses” in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2015.

## 14. INTERESTS IN ASSOCIATES

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Share of net assets | 2,558,997 | 3,708,007 |

The particulars of the associates of the Group, which are unlisted corporate entities, are as follows:

| Name of associates | Place of establishment and business | Form of business structure | Particulars of registered capital | Proportion of ownership interest held directly 2016 | Proportion of ownership interest held directly 2015 | Principal activities |
|---|---|---|---|---|---|---|
| Shenzhen Intelligent Preferential Pay Company Limited* ("IPP") (深圳市智惠付信息技術有限公司) | The PRC | Incorporated | RMB2,000,000 | 37.5% | 37.5% | Provision of e-commence, information technology consultancy services, electronic promotion services and electronic messaging information services. |
| Shenzhen Dashouhou Information Technology Company Limited* ("DIT") (深圳市大售後信息技術有限公司) | The PRC | Incorporated | RMB1,000,000 | 47.5% | 46% | Not yet commenced business |

* The English translation of the company name is for reference only. The official name of these companies is in Chinese.

Notes:

a) IPP operates in the PRC and is a strategic partner for the Group in developing the information technology services sector where IPP has an established customer base.

b) DIT will operate in the PRC and will be a strategic partner for the Group in developing the information technology services sector where the other shareholders of DIT have an established customer base.

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

## 14. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the Group’s material associate is set out below. The summarised financial information below represents amounts shown in the associate’s financial statements prepared in accordance with IFRSs and HKFRSs.

| | IPP | |
|---|---|---|
| | 2016<br>RMB | 2015<br>RMB |
| Non-current assets | 7,587,324 | 8,433,462 |
| Current assets | 670,271 | 1,506,071 |
| Current liabilities | (1,705,145) | (838,682) |
| Equity | 6,552,450 | 9,100,851 |
| Revenue | 2,373,081 | 2,044,044 |
| Loss for the year | (2,548,401) | (2,431,706) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (2,548,401) | (2,431,706) |

Reconciled to the Group’s interest in the associate is as follows:

| | IPP | |
|---|---|---|
| | 2016<br>RMB | 2015<br>RMB |
| Net assets of the associate | 6,552,450 | 9,100,851 |
| The Group’s effective interest in the associate | 37.5% | 37.5% |
| The Group’s share of net assets of the associate | 2,457,169 | 3,412,819 |

Information of an associate that is not individually material:

| | DIT | |
|---|---|---|
| | 2016<br>RMB | 2015<br>RMB |
| Carrying amount of individually immaterial associate in the consolidated financial statements | 101,828 | 295,188 |
| Amounts of the Group’s share of the associate’s | | |
| Loss for the year | (208,359) | (164,812) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (208,359) | (164,812) |

## 15. SUBSIDIARIES

Details of the principal subsidiaries as at 31 March 2016 are as follows:

| Name of subsidiary | Place of establishment and business | Principal activities | Issued share capital / paid up registered capital | Proportion of ownership interest held by the Company Directly | Indirectly |
|---|---|---|---|---|---|
| Shenzhen Tao-taogu Information Technology Co., Ltd. * (深圳市淘淘谷信息技術有限公司) ("STIT") | The PRC | Provision of system development and information technology services | Paid up registered capital of HK$38,000,000 | 100% | - |
| Shenzhen Tao-taogu E-commerce Co., Limited * (深圳市淘淘谷電子商務有限公司) ("STEC") | The PRC | Provision of E-commerce system development and information technology services | Paid up registered capital of RMB1,000,000 | - | - (Note (d)) |
| Shenzhen Tao-taogu Investment Co., Limited * (深圳市淘淘谷投資有限公司) ("ST Investment") | The PRC | Provision of investment management and consultancy services | Paid up registered capital of RMB1,000,000 | - | - (Note (a)) |
| Xiamen Tao-taogu Information Technology Co., Ltd. * (廈門市淘淘谷信息技術有限公司) ("XTIT") | The PRC | Provision of system development and information technology services | Paid up registered capital of RMB206,000 (Note (b)) | - | 67% |
| Jiangxi Tao-taogu E-commerce Co., Limited * (江西淘淘谷電子商務有限公司) ("JTEC") | The PRC | Investment holding | Paid up registered capital of RMB200,000 (Note (c)) | - | 92% |

* The English translation of the subsidiaries' name are for reference only. The official name of the subsidiaries are in Chinese.

## 15. SUBSIDIARIES (Continued)

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

Notes:

a) The Group does not hold any ownership interests in ST Investment. However, based on the terms of agreement under which ST Investment was established, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct ST Investment's activities that most significantly affect these returns.

b) XTIT was incorporated as a limited liability company in the PRC. As at 31 March 2016, the registered capital of XTIT was RMB1,000,000 of which RMB206,000 was paid up.

c) JTEC was incorporated as a limited liability company in the PRC. As at 31 March 2016, the registered capital of JTEC was RMB2,000,000 of which RMB200,000 was paid up.

d) On 2 July 2013, STIT, a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Mr. Xiong Qiang, a director and a shareholder of the Company and Ms. Ling Fang, the wife of Xiong Qiang to obtain control in STEC, a company established in the PRC. The Group does not hold any ownership interests in STEC. However, based on the terms of Agreement under which STEC was acquired, the Group receives substantially all of the returns related to its operations and net assets and has the current ability to direct STEC's activities that most significantly affect these returns.

## 16. INVENTORIES

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Point-of-sale machines held for sale | 1,683,999 | 449,458 |

The analysis of the amount of inventories recognised as an expense and included in profit or loss as follows:

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Carrying amount of inventories sold | 1,649,032 | 96,463 |

## 17. TRADE AND OTHER RECEIVABLES

| | Note | 2016<br>RMB | 2015<br>RMB |
|---|---|---|---|
| Trade receivables | (a) | 458,800 | 1,600,000 |
| Other receivables | | 122,185 | 112,698 |
| Amount due from an associate (note 30(c)) | (b) | 141,113 | 50,000 |
| Amounts due from related companies (note 30(c)) | (b) | 195,109 | 4,669 |
| Loans and receivables | | 917,207 | 1,767,367 |
| Prepayments and deposits | | 2,955,207 | 959,074 |
| Value added tax receivables | | 320,997 | 116,503 |
| | | 4,193,411 | 2,842,944 |

All of the trade and other receivables are expected to be recovered within one year or recognised as expense within one year.

Notes:

a) Trade receivables are due within 60 days from the date of billing. There are no trade receivables impaired as at 31 March 2016 and 2015.

Further details of the Group's credit policy are set out in note 28(a)(i).

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Neither past due nor impaired | 438,800 | 1,600,000 |
| Past due but not impaired | | |
| Less than 1 month past due | 20,000 | - |
| | 458,800 | 1,600,000 |

Receivables that were neither past due nor impaired related to a number of (2015: one) customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to one independent customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

b) The amounts due from an associate and related companies are unsecured, interest free and repayable on demand. Further details are set out in note 30(c) to the consolidated financial statements.

## 18. CASH AND CASH EQUIVALENTS

Included in the cash and cash equivalents of the Group as at 31 March 2016 was an amount of RMB3,283,436 (2015: RMB8,607,028) denominated in RMB which is not a freely convertible currency in the international money market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC. The bank balances carry interest at market rates ranging from nil to 0.35% per annum (2015: from nil to 0.35% per annum).

## 19. TRADE AND OTHER PAYABLES

| | Note | 2016<br>RMB | 2015<br>RMB |
|---|---|---|---|
| Trade payables | | 68,780 | - |
| Other payables and accruals | | 1,598,898 | 1,433,676 |
| Amounts due to directors (note 30(c)) | (b) | 812,165 | 364,292 |
| Amount due to an associate (note 30(c)) | (b) | - | 2,600 |
| Financial liabilities measured at amortised cost | | 2,479,843 | 1,800,568 |
| Advance from customers | | 1,955,236 | 2,842,501 |
| Business tax and other levies payables | | 63,830 | 139,387 |
| Other liabilities | | 7,032 | - |
| | | 4,505,941 | 4,782,456 |

Notes:

a) All the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.

b) The amounts due are unsecured, interest free and repayable on demand.

c) An aged analysis of the trade payables as at the end of reporting period, based on goods receipt date, is as follows:

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Within 1 month | 45,000 | - |
| 1 to 2 months | - | - |
| 2 to 3 months | 3,780 | - |
| 3 to 6 months | 20,000 | - |
| | 68,780 | - |

## 20. CONVERTIBLE BONDS

On 7 March 2016, the Company issued one-year convertible bonds at a nominal value of RMB3,000,000 and RMB3,000,000 respectively. The major terms and conditions of the convertible bonds are the same and as follows:

**a) Interest rate**

The Company shall not pay any interest on the convertible bonds.

**b) Conversion price**

The bonds mature one year from the date of issuance at its nominal value of RMB3,000,000 and RMB3,000,000 respectively or can be converted into ordinary shares of the Company at an original conversion price of AUD0.2 ("Conversion Price") per share, subject to adjustments, upon giving notice by the holders of the convertible bonds ("holders") to the Company, 30 days before the maturity date. The actual total number of ordinary shares can be converted depend on the exchange rate at one day before the conversion.

The shares to be converted by the holders carry the same right as the existing shareholders of the Company. If there is dilution of existing shares, the holders can apply the new shares on a pro-rata basis to retain their shareholdings. The new shares to be issued to the holders are not lower than the Conversion Price. If the issuance price of new shares is lower than the Conversion Price, the holders can then convert more shares as if the Conversion Price is the same as the issuance price of new shares.

**c) Maturity**

Unless previously converted, the Company will redeem all convertible bonds on 6 March 2017 at par.

**d) Redemption at the option of the holders**

The Company will, at the option of the holders redeem all the convertible bonds on 6 March 2017 at par.

The fair value of the convertible bonds was determined by an independent qualified valuer. The fair value of the liability component upon the issuance of the convertible bonds was calculated at the present value of the redemption amount, at principal amount. The fair value of the embedded derivatives (conversion component) of the convertible bonds was determined using the binomial valuation model.

According to the valuation report issued by an independent qualified valuer, the fair value of the convertible bonds on 7 March 2016 amounted to RMB5,146,595. The difference between the fair value of convertible bonds and the cash consideration of RMB6,000,000, amounting to RMB853,405 was deferred and allocated between the liability component and conversion component based on the relative fair values of these two components on the date of issuance of convertible bonds. The portion allocated to the liability component was recognised over the terms of convertible bonds using the effective interest method whereas the remaining portion allocated to the conversion component was amortised over the terms of convertible bonds. The effective interest rate of the liability component is 19.24%.

## 20. CONVERTIBLE BONDS (Continued)

### d) Redemption at the option of the holders (Continued)

The fair value of the embedded derivatives of the convertible bonds was determined using the binomial model, and inputs into the model at the relevant dates were as follows:

| | Issue date of 7 March 2016 | At 31 March 2016 |
|---|---|---|
| Conversion price (per share) | AUD0.2 | AUD0.2 |
| Risk free interest rate | 1.97% | 1.93% |
| Time to maturity | 1 year | 0.9 year |
| Expected volatility | 35% | 35% |
| Expected dividend yield | 0% | 0% |

The fair value loss in the embedded derivatives (conversion component) of the convertible bonds for the year ended 31 March 2016 of RMB430,748 and the amortization of deferred gain on conversion component of RMB1,224 were recognised in the consolidated statement of profit or loss and other comprehensive income. The related interest expense of the liability component of the convertible bonds for the year ended 31 March 2016 amounted to RMB8,799, which was calculated using the effective interest method.

### e) Movements in the components of the convertible bonds

The movements in the components of the convertible bonds during the year ended 31 March 2016 is set out below:

| | Liability component RMB | Embedded derivatives RMB | Total RMB |
|---|---|---|---|
| At 1 April 2015 | - | - | - |
| Issuance of convertible bonds | 5,034,297 | 112,298 | 5,146,595 |
| Deferred gain upon issuance | 834,784 | 18,621 | 853,405 |
| Change in fair value of embedded derivatives | - | 430,748 | 430,748 |
| Amortisation of deferred gain on conversion component | - | (1,224) | (1,224) |
| Interest expense | 8,799 | - | 8,799 |
| Unrealised exchange loss | - | 1,727 | 1,727 |
| At 31 March 2016 | 5,877,880 | 562,170 | 6,440,050 |

According to the valuation report issued by an independent qualified valuer, the fair value of the liability component of convertible bonds at 31 March 2016 amounted to RMB5,132,993, which is calculated using cash flows discounted at a rate of 18.24%.

## 21. OTHER LIABILITIES

The amounts represented the non-current portion of accrued rental expenses.

## 22. DEFERRED TAX

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB44,487,442 (2015: RMB30,437,339) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses may be carried forward for five years for PRC enterprise income tax purpose.

Under the Enterprise Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. The Group is liable to withholding taxes on dividend distributed by its subsidiaries established in the PRC with the applicable tax rate of 10%. No provision for deferred tax has been made in this aspect as the subsidiaries sustained tax loss for the years.

## 23. SHARE CAPITAL

| | Number of ordinary shares | HK$ | RMB equivalent |
|---|---|---|---|
| **Ordinary shares, issued and fully paid:** | | | |
| At 1 April 2014 | 636,687,400 | 66,668,328 | 54,440,463 |
| Issuance of new shares (Note) | 1,060,000 | 23,444,636 | 18,554,513 |
| Share issue expenses | - | (317,759) | (251,480) |
| | 1,060,000 | 23,126,877 | 18,303,033 |
| At 31 March 2015, 1 April 2015 and 31 March 2016 | 637,747,400 | 89,795,205 | 72,743,496 |

Note:

Pursuant to a written resolution passed by all the directors of the Company on 3 July 2014, the Company allotted and issued 1,060,000 ordinary shares for a total cash consideration of HK$23,444,636 (equivalent to RMB18,554,513) as additional capital of the Company. All the 1,060,000 ordinary shares were fully paid up upon allotment.

## 24. SHARE OPTION SCHEME

During the year ended 31 March 2016, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to encourage qualifying grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Qualifying grantees of the Share Option Scheme mean (i) any employee, non-executive director, or any contractor of the Company or any group company; or (ii) any consultant or advisor who provide goods or services to the Company or any group company,

On 12 August 2015, the Company has granted 9,770,000 and 2,000,000 share options to certain consultants at the exercise price of AUD0.8 and AUD1.0 per option share ("August 2015 Option") respectively. The consultants are engaged to provide investment advisory services for the business development to the Group, fair value of the services cannot be measured reliably and therefore, the Group measures the service value by reference to the fair value of the equity instruments granted, the Group measures the service value by reference to the fair value of the equity instruments granted. The fair value of the option is determined at the date of grant using the binomial option pricing model were AUD727,445 (equivalent to approximately RMB3,607,000). The consultant's services have been completely rendered to the Group during the year ended 31 March 2016.

On 23 September 2015, the Company has granted 7,577,474 share options to 2 directors at the exercise price of AUD0.8 per option share ("September 2015 Option"). The fair value of the option is determined at the date of grant using the binomial option pricing model were AUD414,920 (equivalent to approximately RMB2,057,000).

(i) The terms and conditions of the grants are as follows:

| Category of eligible persons | No. of share options granted | Date of grant | Vesting conditions | Period during which share options are exercisable | Exercise price per share | Contractual life of options |
|---|---|---|---|---|---|---|
| Group A investors | 9,770,000 | 12 August 2015 | From 1 July 2016 to 30 June 2017 (10%)<br>From 1 July 2017 to 30 June 2018 (10%)<br>From 1 July 2018 to 30 June 2019 (20%)<br>From 1 July 2019 to 30 June 2020 (20%)<br>From 1 July 2020 to 30 June 2021 (40%) | 1 July 2016 to 30 June 2022 | AUD0.8 | 6 years |

## 24. SHARE OPTION SCHEME (Continued)

(i) The terms and conditions of the grants are as follows: (Continued)

| Category of eligible persons | No. of share options granted | Date of grant | Vesting conditions | Period during which share options are exercisable | Exercise price per share | Contractual life of options |
|---|---|---|---|---|---|---|
| Group B investors | 2,000,000 | 12 August 2015 | From 1 July 2016 to 30 June 2017 (10%)<br>From 1 July 2017 to 30 June 2018 (10%)<br>From 1 July 2018 to 30 June 2019 (20%)<br>From 1 July 2019 to 30 June 2020 (20%)<br>From 1 July 2020 to 30 June 2021 (40%) | 1 July 2016 to 30 June 2022 | AUD1.00 | 6 years |
| Directors | 7,577,474 | 23 September 2015 | From 1 July 2016 to 30 June 2017 (10%)<br>From 1 July 2017 to 30 June 2018 (10%)<br>From 1 July 2018 to 30 June 2019 (20%)<br>From 1 July 2019 to 30 June 2020 (20%)<br>From 1 July 2020 to 30 June 2021 (40%) | 1 July 2016 to 30 June 2022 | AUD0.8 | 6 years |

(ii) The number and weighted average exercise prices of share options are as follows:

| | Weighted average exercise price<br>AUD | Number of options |
|---|---|---|
| Outstanding at the beginning of the year | - | - |
| Granted during the year | 0.821 | 19,347,474 |
| Outstanding at the end of the year | 0.821 | 19,347,474 |
| Exercisable at the end of the year | N/A | N/A |

The options outstanding at 31 March 2016 had exercise prices of AUD0.8 or AUD1.0 and a weighted average remaining contractual lives of 6 years.

## 24. SHARE OPTION SCHEME (Continued)

(ii) (Continued)

The following assumptions were used to calculate the fair values of new share options granted during the year ended 31 March 2016:

| | August 2015 Option | | September |
|---|---|---|---|
| | Group A | Group B | 2015 Option |
| Grant date share price (AUD) | 0.2 | 0.2 | 0.2 |
| Exercise price (AUD) | 0.8 | 1 | 0.8 |
| Expected volatility (note) | 61.239% | 61.239% | 53.986% |
| Expected life (Years) | 6.883 | 6.883 | 6.768 |
| Expected dividend yield (%) | 0 | 0 | 0 |
| Risk-free rate of interest (%) | 2.353 | 2.353 | 2.363 |

Note:

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restriction and behavioral considerations.

The binomial option pricing model has been used to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

## 25. RESERVES

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

The share option reserve relates to share options granted to employees and advisors under the Company's share option scheme. Further information about share option is set out in note 24.

## 26. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

### a) Statement of financial position of the Company

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| **Non-current assets** | | |
| Interests in subsidiaries | 50,296,932 | 44,438,354 |
| **Current assets** | | |
| Other receivables | 35,360 | 4,669 |
| Cash and cash equivalents | 1,690,228 | 10,314,965 |
| | 1,725,588 | 10,319,634 |
| **Current liabilities** | | |
| Other payables | 784,045 | 810,287 |
| **Net current assets** | 941,543 | 9,509,347 |
| **NET ASSETS** | 51,238,475 | 53,947,701 |
| **CAPITAL AND RESERVES** | | |
| Share capital | 72,743,496 | 72,743,496 |
| Reserves | (21,505,021) | (18,795,795) |
| **TOTAL EQUITY** | 51,238,475 | 53,947,701 |

## 26. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY (Continued)

### b) Movement of reserves of the Company

The change in the reserves of the Company during the years ended 31 March 2016 and 2015 are as follows:

| | Note | Share option reserve RMB | Accumulated losses RMB | Total RMB |
|---|---|---|---|---|
| At 1 April 2014 | | - | (13,097,167) | (13,097,167) |
| Loss for the year | | - | (5,698,628) | (5,698,628) |
| Other comprehensive income | | - | - | - |
| Total comprehensive loss | | - | (5,698,628) | (5,698,628) |
| At 31 March 2015 and 1 April 2015 | | - | (18,795,795) | (18,795,795) |
| Loss for the year | | - | (3,977,103) | (3,977,103) |
| Other comprehensive income | | - | - | - |
| Total comprehensive loss | | - | (3,977,103) | (3,977,103) |
| Equity-settled share-based transaction | | 1,267,877 | - | 1,267,877 |
| At 31 March 2016 | | 1,267,877 | (22,772,898) | (21,505,021) |

## 27. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt as it sees fit and appropriate.

The capital structure of the Group consists of debt, which includes amounts due to directors disclosed in note 19, and equity attributable to owners of the Company, comprising issued share capital and reserves.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 28. FINANCIAL RISK MANAGEMENT

### a) Financial risk factors

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### i) Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to this credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current liability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operate. Trade receivables are normally due within 60 days from date of billing. Normally, the Group does not obtain collateral from debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the end of the reporting period, the Group has concentration of credit risk as 95% (2015: 100%) of total trade related receivables was due from the Group's largest trade debtor.

Amounts due from an associate and related companies are regularly reviewed and settled unless the amounts are specifically intended to be long-term in nature.

In respect of cash at banks, the credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### a) Financial risk factors (Continued)

#### ii) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement.

To manage the liquidity risk, the Group held cash and cash equivalents amounted to RMB5,046,290 (2015: RMB20,640,241) as at 31 March 2016.

The table below analyses the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances, as the impact of discounting is not significant.

| | 2016 | | |
|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand |
| | RMB | RMB | RMB |
| Trade and other payables | 2,479,843 | 2,479,843 | 2,479,843 |
| Convertible bonds | 6,440,050 | 6,000,000 | 6,000,000 |
| | 8,919,893 | 8,479,843 | 8,479,843 |

| | 2015 | | |
|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand |
| | RMB | RMB | RMB |
| Trade and other payables | 1,800,568 | 1,800,568 | 1,800,568 |

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### a) Financial risk factors (Continued)

#### iii) Currency risk

The Group is exposed to currency risk primarily through trade and other receivables, other payables, cash and cash equivalents that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HK$"), United States Dollars ("US$") and Australia Dollars ("AUD").

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

Exposure to foreign currencies (expressed in RMB)

| | 2016 | | |
|---|---|---|---|
| | AUD | US$ | HK$ |
| Trade and other receivables | 34,109 | - | - |
| Cash and cash equivalents | 778,796 | 50,367 | 861,066 |
| Trade and other payables | (145,160) | - | (167,005) |
| Overall net exposure | 667,745 | 50,367 | 694,061 |

| | 2015 | | |
|---|---|---|---|
| | AUD | US$ | HK$ |
| Trade and other receivables | 4,669 | - | - |
| Cash and cash equivalents | 1,689,430 | 64,117 | 10,227,853 |
| Trade and other payables | (195,455) | - | (509,824) |
| Overall net exposure | 1,498,644 | 64,117 | 9,718,029 |

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### a) Financial risk factors (Continued)

#### iii) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK$, US$ and AUD against the functional currency of the relevant group entities. 5% is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates. A positive number below indicates an decrease in post-tax loss for the period where relevant currencies strengthen 5% against the functional currency of the relevant group entities. For a 5% weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result and the balances below would be negative.

| | 2016 | | |
|---|---|---|---|
| | Increase/ (decrease) in foreign exchange rates | Effect on loss after tax | Effect on equity* |
| | | RMB | RMB |
| US$ | 5% | 2,103 | 2,103 |
| | (5%) | (2,103) | (2,103) |
| HK$ | 5% | 13,851 | 13,851 |
| | (5%) | (13,851) | (13,851) |
| AUD | 5% | 27,878 | 27,878 |
| | (5%) | (27,878) | (27,878) |

| | 2015 | | |
|---|---|---|---|
| | Increase/ (decrease) in foreign exchange rates | Effect on loss after tax | Effect on equity* |
| | | RMB | RMB |
| US$ | 5% | 2,677 | 2,677 |
| | (5%) | (2,677) | (2,677) |
| HK$ | 5% | 398,645 | 398,645 |
| | (5%) | (398,645) | (398,645) |
| AUD | 5% | 62,568 | 62,568 |
| | (5%) | (62,568) | (62,568) |

* Including accumulated losses

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### a) Financial risk factors (Continued)

#### iv) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates to the cash and cash equivalents. Floating-rate interest income is recognised in profit or loss as incurred. As the Group has no significant interest bearing assets, the directors of the Company consider the interest risk is not significant.

### b) Fair values estimation

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

The following table presents the Group's liabilities that are measured at fair value at 31 March 2016.

| | Level 1<br>RMB | Level 2<br>RMB | Level 3<br>RMB | Total<br>RMB |
|---|---|---|---|---|
| Embedded derivative of convertible bonds | - | - | 562,170 | 562,170 |

The fair value of embedded derivative of the convertible bonds was valued by estimating the values of the whole bonds with and without the embedded derivatives. Refer to note 20 for details of convertible bonds and significant unobservable inputs.

The increase/decrease in the fair value of embedded derivatives of convertible bonds will increase/decrease the Group's post-tax loss for the year as well as the Group's total liabilities as at 31 March 2016.

## 29. ACCOUNTING ESTIMATES AND JUDGEMENTS

### a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, as discussed below.

i) Impairment of property, plant and equipment

The recoverable amount of an asset is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charge in future periods. Carrying amount of property, plant and equipment as at 31 March 2016 was RMB4,538,934 (2015: RMB1,848,515).

ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, impairment allowance may be required. Carrying amount of financial assets included in trade and other receivables as at 31 March 2016 was RMB917,207 (2015: RMB1,767,367).

iii) Fair values of convertible bonds and embedded conversion options

The fair values of convertible bonds and the embedded conversion options are determined using valuation techniques including reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Details of the assumptions used in determining the fair values of the convertible bonds and the embedded conversion options are set out in note 20.

## 29. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### b) Critical accounting judgements in applying the Company's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

*Going concern*

As mentioned in note 2(b) to the consolidated financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the consolidated financial statements have been prepared on a going concern basis.

## 30. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes 17 and 19 to these financial statements, the Group has entered into the following material related party transactions during the year.

### a) Transactions with key management personnel

All members of key management personnel are the directors of the Company. The remuneration paid to them during the year was disclosed in note 8 to the consolidated financial statements:

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Short-term employee benefits | 1,861,518 | 1,774,638 |
| Equity-settled share option expenses | 417,756 | - |
| Post-employment benefits | 36,567 | 41,552 |
| | 2,315,841 | 1,816,190 |

## 30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### b) Transactions with other related parties

During the year, the Group entered into the following material transactions with other related parties:

| Name of related party | Nature of transaction | Note | 2016<br>RMB | 2015<br>RMB |
|---|---|---|---|---|
| Shenzhen Bozhong Communication Technology Company Limited * ("Shenzhen Bozhong") (深圳市伯仲通信技術有限公司) | Rental expenses | i | - | 40,000 |
| | Management fee for provision of office facilities and manpower | i | - | 98,982 |
| Shenzhen Intelligent Preferential Pay Company Limited * ("IPP") (深圳市智惠付信息技術有限公司) | Technical services fee | ii | 308,542 | 41,000 |
| | Purchase of software | ii | 256,410 | - |
| Investorlink Securities Limited | Legal and professional fees | iii | 909,626 | 691,484 |

* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese.

Notes:

i) Ms. Ling Fang, the wife of Mr. Xiong Qiang, a director and a shareholder of the Company, is the director and major shareholder of Shenzhen Bozhong.

ii) IPP is an associate company of the Group.

iii) The Company paid Investorlink Securities Limited a fee of RMB909,626 (2015: RMB691,484) for the services rendered for performing industry search and marketing for institutional and broker presentation in Australia. Mr. Christopher Ryan, a director of the Company, is also the director of Investorlink Securities Limited.

## 30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### c) The Group had the following material balances with related parties:

| Name of related party | Note | 2016<br>RMB | 2015<br>RMB |
|---|---|---|---|
| Amounts due to directors | (i) | | |
| - Chow Ki Shui Louie | | 83,525 | 100,040 |
| - Xiong Qiang | | 500,000 | 23,999 |
| - Kwok Kin Kwong Gary | | 83,480 | 39,998 |
| - Wu Lin Yan (resigned on 8 June 2015) | | - | 4,799 |
| - Yang Yu Chuan (resigned on 12 April 2015) | | - | 65,152 |
| - Lan Jun (resigned on 29 April 2015) | | - | 65,152 |
| - Ryan, Christopher John | | 57,225 | - |
| - Cai Wensheng | | 87,935 | 65,152 |
| | | 812,165 | 364,292 |
| Amounts due from related companies | | | |
| - Shenzhen Bozhong Communication Company Limited* ("Shenzhen Bozhong") (深圳市伯仲通信技術有限公司) | (ii) | 161,000 | - |
| - Investorlink Securities Limited | (iii) | 34,109 | 4,669 |
| | | 195,109 | 4,669 |
| Amount due from an associate | | | |
| - IPP | (iv) | 141,113 | 50,000 |
| Amount due to an associate | | | |
| - Shenzhen Dashouhou Information Technology Company Limited* ("DIT") (深圳市大售后信息技術有限公司) | (iv) | - | 2,600 |

* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese.

## 30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### c) The Group had the following material balances with related parties: (Continued)

Notes:

i) The balances with Ms. Ling Fang, the wife of Mr. Xiong Qiang and the amounts due to directors are unsecured, interest free and repayable on demand. During the year ended 31 March 2015, Ms. Ling Fang waived an amount of RMB56,700 due by the Group, accordingly, the amount of RMB56,700 was credited to the consolidated statement of profit or loss and other comprehensive income.

ii) The amount was unsecured, interest free and repayable on demand. Ms. Ling Fang, the wife of Mr. Xiong Qiang, a director and a shareholder of the Company, is the director and major shareholder of Shenzhen Bozhong. The maximum outstanding balance is RMB161,000 (2015: Nil) during the year ended 31 March 2016. At 31 March 2016 and 2015, there was no provision made against the amount due.

iii) The amount was unsecured, interest free and repayable on demand. Mr. Christopher Ryan, a director of the Company, is also the director of Investorlink Securities Limited. The maximum outstanding balance is RMB293,640 (2015: RMB672,283) during the year ended 31 March 2016. At 31 March 2016 and 2015, there was no provision made against the amount due.

iv) The amounts were unsecured, interest free and repayable on demand.

## 31. COMMITMENTS

### a) Capital commitments

The Group had the following capital commitments at the end of the year:

| | 2016 RMB | 2015 RMB |
|---|---|---|
| Contracted, but not provided for | | |
| Purchase of property, plant and equipment | 556,803 | 145,000 |

## 31. COMMITMENTS (Continued)

### b) Operating lease commitments

i) The Group as lessor

The Group had total future minimum lease receivables under the non-cancellable operating leases in respect of computer equipment which falling due as follows:

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Within 1 year | - | 2,446 |

ii) The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of properties which fall due as follows:

| | 2016<br>RMB | 2015<br>RMB |
|---|---|---|
| Within 1 year | 970,467 | 313,356 |
| After 1 year but within 5 years | 563,561 | - |
| | 1,534,028 | 313,356 |

The lease typically run for an initial period of 1 to 5 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

## 32. ULTIMATE CONTROLLING PARTY

At 31 March 2016, the directors of the Company consider the ultimate controlling party of the Company to be Mr. Xiong Qiang.

## 33. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

Up to the date of issuance of these financial statements, the IASB and HKICPA has issued the following new and revised IFRSs/HKFRSs which are not yet effective for the year ended 31 March 2016.

| | |
|---|---|
| IFRS 9 / HKFRS 9 | Financial Instruments[2] |
| IFRS 15 / HKFRS 15 | Revenue from Contracts with Customers[2] |
| IFRS 16 / HKFRS 16 | Leases[4] |
| Amendments to IFRS 11 / HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| Amendments to IAS 1 / HKAS 1 | Disclosure Initiative[1] |
| Amendments to IAS 16 / HKAS 16 and IAS 38 / HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to IAS 16 / HKAS 16 and IAS 41 / HKAS 41 | Agriculture: Bearer Plants[1] |
| Amendments to IFRS 10 / HKFRS 10 and IAS 28 / HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to IFRSs / HKFRSs | Annual Improvements to IFRSs / HKFRSs 2012-2014 Cycle[1] |
| Amendments to IFRS 10 / HKFRS 10, IFRS 12 / HKFRS 12 and IAS 28 / HKAS 28 | Investment Entities: Applying the Consolidation Exception[1] |
| Amendments to IAS 7 / HKAS 7 | Disclosure Initiative[5] |
| Amendments to IAS 12 / HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[5] |

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2019
[5] Effective for annual periods beginning on or after 1 January 2017

The Group is in the process of making an assessment of what the impact of these new IFRSs and HKFRSs and amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.